

**Kyiv National University of Trade and Economics
Hotel and Restaurant Business Department**

FINAL QUALIFYING PAPER

on the topic:

**«Distribution of hotel services for the inbound tourism segment
of «Holiday Inn» hotel chain»**

Student of the 2^d year, group 10,
specialty 241 «Hotel and
Restaurant Business»
Specialization «International Hotel
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Task for a final qualifying paper

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1. Topic of a final qualifying paper: «Distribution of hotel services for the inbound tourism segment of «Holiday Inn» hotel chain».

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The aim of the study is to develop the theoretical and methodological foundations of the hotel's services distribution.

The object of the research is hotel distribution, process of distribution hotel services for the inbound tourism segment as well.

The subject of research exploration of the theoretical positions, methodical basis and practical recommendations of improving the distribution channel management in «Holiday Inn» hotel chain.

4. Contents of a final qualifying paper (list of all the sections and subsections):

INTRODUCTION

PART 1. THEORETICAL BACKGROUND INTRODUCTION OF THE HOTEL DISTRIBUTION

- 1.1. Scope of distribution
- 1.2. Channel management

PART 2. ANALYSIS OF HOTEL DISTRIBUTION FOR THE INBOUND TOURISM SEGMENT IN IHG

- 2.1. InterContinental Hotels Group overview
- 2.2. InterContinental Hotels Group analysis of current position
- 2.3. Analysis of IHG`s Strategic Report

PART 3. THE DIRECTIONS FOR IMPROVEMENT OF DISTRIBUTION SYSTEM OF HOLIDAY INN KIEV FOR THE INBOUND TOURISM SEGMENT

- 3.1. Directions for improvement of Holiday Inn`s distribution of hotel services
- 3.2. Ways to prepare Holiday Inn Kiev for the Rebound in Travel Demand (Covid – 19 Recovery Strategy)

CONCLUSIONS

REFERENCES

5. Time schedule of the paper:

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		de jure	de facto
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2	Preparation and approval of task for the final qualifying paper	01.11.2019 - 31.12.2019	01.11.2019 - 31.12.2019
3	Writing of the 1 st part of the final qualifying paper	02.01.2020 - 11.05.2020	02.01.2020 - 11.05.2020
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9	Registration of the final qualifying work and abstract for preliminary protection in commissions	29.10.2020 - 31.10.2020	29.10.2020 - 31.10.2020
10	Presentation of final qualifying paper and abstract on the department	20.11.2020	20.11.2020
11	Presentation of the final qualification work to the Dean's Office for receiving a referral for an external review	16.11.2020 - 18.11.2020	16.11.2020 - 18.11.2020
12	Preparation of final qualifying paper to defense in the Examination Board	18.11.2020 - 01.12.2020	18.11.2020 - 01.12.2020
13	Defending of the final qualifying paper in the Examination Board	According to the schedule	According to the schedule

6. Date of receiving the task: _____

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10. Resume of a scientific adviser of a final qualifying paper:

The master diploma paper performed on the actual topic. In the first part was analyzed essence of the hotel distribution and defined principles of distribution and channel management of international hotel operators. The process of hotel services distribution for the inbound tourism segment was presented in this final qualification work.

In the second part of master diploma paper was evaluated analysis of current position of InterContinental Hotel Group and clearly defined strategy for high quality growth. In this work was investigated hotel distribution system and 3 major trends shaping hospitality industry. Major types of hotel services distribution were analyzed.

In the third part was used maximizing of direct distribution strategy as tool of achieving the ideal channel mix revolves around maximizing the profitability of hotel chain. Directions for improvement distribution of hotel services for the inbound tourism segment were proposed. Student made a proposition of Covid-19 Recovery Strategy for Holiday Inn Kiev (as a brand of IGH).

The purpose of master diploma paper is reached and scientific task are completed. The master diploma paper can be admitted to defense in the State Examination Board and its author deserves to get a positive mark.

Scientific adviser of the final _____ Margarita H. Boyko
qualifying paper

11. Resume about a final qualifying paper research

A final qualifying paper (project) of the student _____ Daria M. Sadovska
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can be admitted to defense in the Examination Board.
Manager of the educational program _____ Margarita H. Boyko

Head of the Department _____ Margarita H. Boyko
_____, _____, 2020

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INTRODUCTION

For hospitality industry, a key part of any revenue management strategy revolves around distribution channel management. An effective hotel distribution system is imperative for maintaining the partnerships and business relationships that are necessary in order to optimize sales and maximize revenue. Distribution channel management is an important concept within the hotel industry and the use of a distribution channel manager can improve associated processes. As a result, management can be made faster and more accurate, more dynamic pricing strategies can be adopted, visibility can be enhanced and revenue can be increased.

Many scholars are engaged in studying issues of hotel distribution. Francis Buttle gave an overview about principles of hotel distribution and channel management (first published 1986 by Holt, Rinehart and Winston in Great Britain).

Carroll B., Siguaw J., recognized evolution in electronic hotel distribution and its effects on hotel chain and intermediaries in 2003. A.Mazaraki, S.Shapoval, S.Melnichenko, M.Boyko and others co-authors recognized general solutions for creation an effective distribution process for hotel chain and presented manual HoReCa in 2017, Kyiv.

Very important question in hospitality is to evaluate distribution channels, to determine effectiveness each of them and create powerful distribution system for excellent revenue results. Distribution can make or break a hotel chain. Therefore, despite the wide range of publications about it, the problems of creating distribution hotel system for the inbound segment of customers remain unsolved. Thereby, the issues of determining the essence of the hotel distribution, as well as its reflection in the revenue management require for a further study.

Having reviewed a number of papers related to issues of distribution of hotel services, the **purpose** of the work is to research distribution system for inbound tourism segment in Holiday Inn Inc., Kyiv.

In order to address the purpose of the research the following **objectives** should be fulfilled while conducting this study:

- to research essence of distribution;
- to define principles of distribution and channel management;
- to identify the main functions of (and flows in) channels of distribution;
- to describe at least 10 types of channel intermediary for hospitality services;
- to explain the differences between conventional and vertical marketing system;
- to recognize 4-step channel planning process;
- to explain the difference between physical distribution in a hospitality context;
- to identify the key variables to be considered when selecting a trading area and a particular site for location;
- to describe process of distribution of the hotel services for the inbound tourism segment.

The **object** of the research is hotel distribution, process of distribution hotel services for the inbound tourism segment as well.

Theoretical basis of research **methodology** is a systematic approach to the study of distribution processes, the performance of domestic and foreign scholars dealing with the approach of application principles of distribution and channel management. General scientific methods, e.g. the methods of analysis and synthesis, are used to illustrate the distribution process of hotel services, classification distribution channels, and its functions for needs of management. The comparison method is used to determine the most effective approaches to reflect information about distribution in hospitality area.

The experience of Holiday Inn Inc. is shown in reflection of data about distribution and channel management. In addition, in the study capitalization of research and development of the distribution system of the hotel services.

PART 1. THEORETICAL BACKGROUND INTRODUCTION OF THE HOTEL DISTRIBUTION

1.1. Scope of distribution

Creating a system of hotel distribution provides maximum satisfaction of each guest with the purpose to obtain regular customers. The general condition for it – to provide an opportunity of convenient reservation for consumers [2, p. 65]. The internet as a platform for commerce, marketing, sales and customer engagement has forever changed our relationship with and among hotel guests, clients, brands, managers, owners and third parties. These changes have had great impact on revenue generation, guest interaction, inventory control, pricing, hotel operating costs and financial return and asset values [12].

Every distribution channel carries costs and benefits and each one is evolving at an extraordinary pace. The online travel agencies are battling it out with search engines and hundreds of hotel brand websites for the consumer's attention and it is all affecting hotel margins. Google recently entered travel search, Facebook and other social media platforms are a fast-growing exchange for travel information, and the mobile channel is emerging with massive potential. Existing distribution models such as GDSs and the OTAs are likely to evolve or become obsolete in response to the new players, but it is imperative that no matter what distribution channels are used by consumers, that each hotel can attempt to understand the dynamic of each channel and can analyze the costs and benefits in a rational and meaningful way in order to create revenue and profit streams that are sustainable going forward [12].

Historically, our industry has not faced the distribution challenge efficiently because there has been a lack of solid information on which to make strategic and tactical decisions. As a result, members of our industry may have operated on the basis of anecdotes and vendor-sponsored studies while coping with the pressure of economically challenging times. This lack of data also creates the risk that hotel operating statements do not reflect the true cost of third-party distribution nor the full value placed on our hotels by the consumer [12].

The online environment imposes constant and significant changes on lodging distribution. Paradoxically, the more diffused consumer Internet usage with its many new emerging website types, the more centralized the players will be that control it. The power will be in the hands of gatekeepers who control consumer access, and many are vying for that position, especially in the travel sector. This doesn't bode well for a fragmented industry such as lodging that largely divides its ownership, management, and branding [12].

There are already powerful online media interests (e.g., Google, Facebook, and the OTAs) that are well positioned to control the traffic leading to the demand for hotel rooms. These companies have deep pockets, centralized product and marketing strategies and are rewarded by the investment community for attaining near-monopoly positions. This dynamic can push up the costs of acquiring and retaining demand, and challenge a hotel's ability to achieve acceptable profit levels; conversely, it can create competition between intermediaries that can be leveraged to the hotelier's advantage [12].

To compete effectively and retain control of pricing, inventory, and brand value, the hospitality industry has to make a substantial commitment to manage a burgeoning array of transactional and marketing channels and harness its customer relationships, the asset it can control best, more effectively than any third-party intermediary. Given the limited demand growth in the mature lodging market, distribution channel marketing will be a primary tool used to shift existing share among hotels. Proactively managing to an optimal channel mix objective will drive resource decisions for a hotel, and although no one can make a consumer choose a particular channel, a bias can be created for direct channels, primarily through improved content on a hotel's own website and the application of consumer intelligence in the shopping and buying processes to favor the use of direct channels. Closely managing channel costs and choosing the best mix of channel partners can refine a distribution strategy to deliver optimal results at a brand and hotel level [12].

The distribution function in hospitality has 2 dimensions: the distribution channel (or marketing channel), whose role is to make the product more accessible and convenient

to the customer; and physical distribution, which is concerned with issues of location, inventory, warehousing and transportation [1, p. 276]. In order to admit the client to purchase the hotel product in his town, i.e. to book a room out of a foreign country, it is necessary to rely upon a structure of distribution channels that assure the presence of their product on the potential market. The sum of steps to be taken in order to guide the product from the producer on to the consumer, is called the distribution management [3, p.62]. According to Jacques Schwarz, the distribution management involves:

- the choice of the distribution channels;
- the selection of the go-betweens;
- the preparation of the offer;
- the delivery of the offer to the go-between;
- the work-out of visiting programs;
- the stimulation of the sales;
- the reports of the sales;
- the analysis and control of the sales.

The business in most hotels can be segmented into “market segments” representing common customer types typically defined by trip purpose such as individual business, individual leisure, weekend getaway, company meeting, social group, or convention. There are “sources of business” that represent the booker such as a travel agent or company. And then there is the channel [12].

Distribution channels also called Marketing channels or Trade channels are sets of interdependent organizations (intermediaries) involved in the process of making a product or service available for use or consumption. Structure of the channel includes 4 elements (*fig.1.1*) [4, p.98].

Distribution channel width consist of *market coverage* and *channel coverage*. Market coverage means number of active retail and/or wholesale outlets (relative to a saturation level) that sell a specific hotel`s brands in a given market. Channel coverage is a flexible term that can refer to geographical areas of a country (such as regions, cities and major towns) or the number of retail outlets (as a percentage). The amount of market coverage that a channel member provides is expressed in channel width –

number of different entities providing the same distribution function [4, p.102].

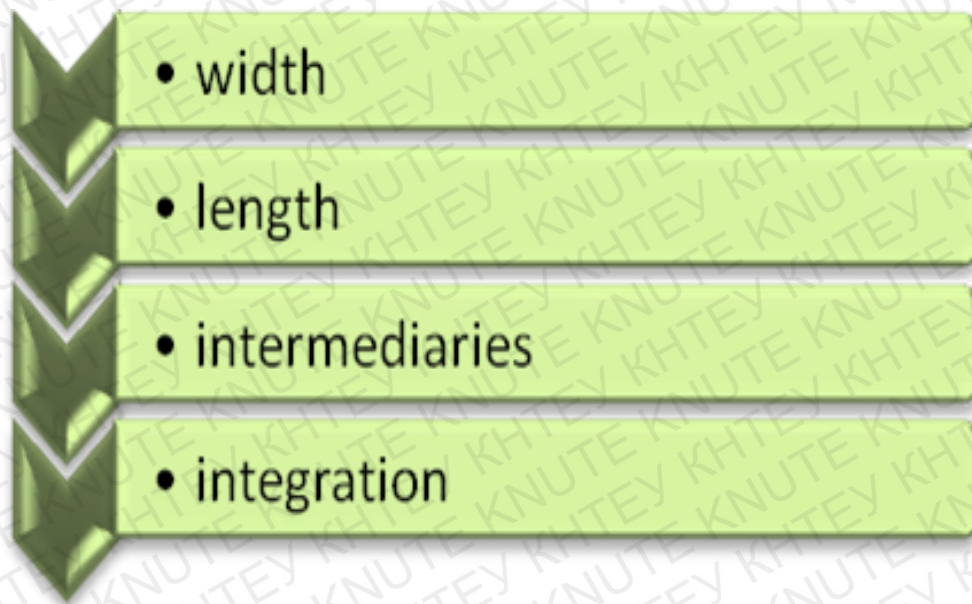


Fig. 1.1 Structure of the channel

The wide range of profit contribution by each channel, and the fact that some channels in some markets may deliver rates that drop below the break-even point, creates urgency for a deeper dive into a hotel's channel mix. Knowing the costs associated with each channel will be essential for managing a hotel in the highly fragmented distribution landscape, even when these costs do not appear as line items on the P&L statement. It is equally crucial to evaluate the full benefit from a channel including length of stay, ancillary spend and repeat and referral potential [12].

Each channel carries distribution costs; the range is wide and can run from 10% to 50% of revenue. Hotel owners and managers have not always measured the full cost of distribution consistently and have not factored these costs into channel decisions. Too often, when hotels price rooms below marginal and fixed costs with an eye toward cash flow, they will withstand long-term negative effects on rate structure and profit [12].

The distribution channel's function (*table 1.1*) [4, p.102] is to provide time and place utilities – i.e. to make the product available when and where required.

Table 1.1

International Distribution Channels functions

Informational	gathering information from the market carrying out marketing researches
Promotion	creating and broadcasting persuasive messages to attract customers
Contact	discovering and contacting potential clients
Adjusting the offer to the market requirements	assures the conformity of the offer to the customers' requirements regarding size, amount and package
Negotiation	creating accords over prices and other trade conditions
Physical distribution	transporting and storing the products so that they are available as close as possible to the consumption location
Financing	assuring the funds necessary for purchasing and storage in the situation when the products are not sold immediately to the final consumer
Risk assumption	physical and technological depreciation, the risk of not cashing the claims

To maximize application of website as a distribution channel, we need to implement planning, keeping a certain algorithm. A simplified form of it is performed as closed sequence (fig. 1.2) [2, p.66].

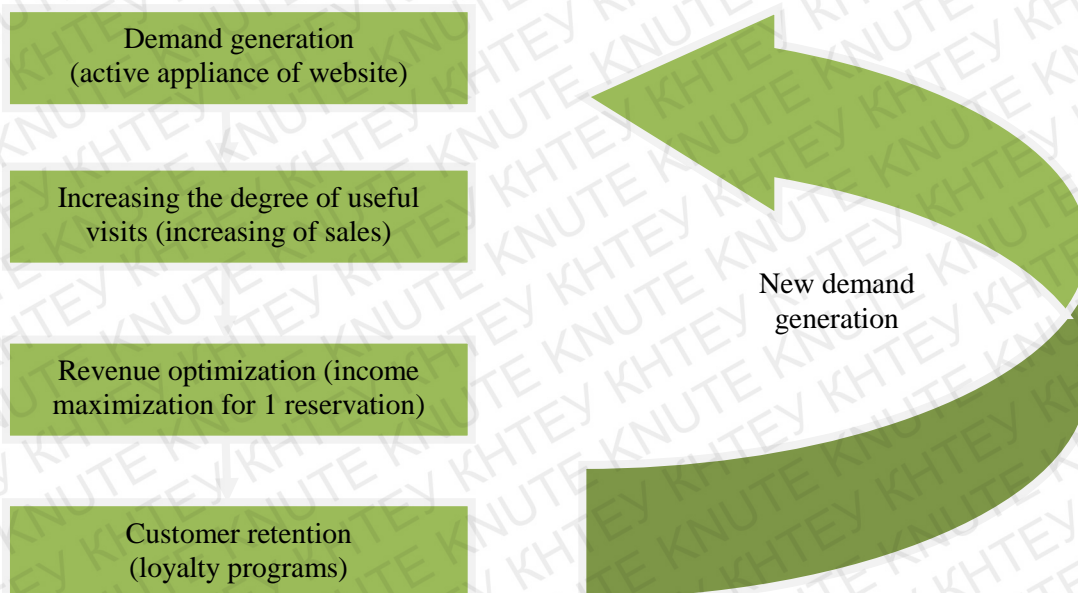


Figure 1.2 The Distribution of hotel services

There is one dimension of physical distribution which is of overriding importance to hospitality marketers – location [1]. For marketing activities to be successful detailed and careful attention must be given to the 'four Ps' - product, price, promotion and place. 'Place' refers to the markets in which the company has decided to operate, where potential customers normally like to purchase the products [10].

Physical distribution is responsible for getting the right products to the right places, at the right time, in the correct quantities and proper condition expected by customers. This must be done while, at the same time, distribution costs are held down to the lowest level consistent with the quality of service expected by customers. In practice it is never possible to maximize the quality and efficiency of the service and minimize costs [10].

Inventory in the hospitality business takes a variety of forms – i.e. the stock of rooms, prepared foods, beverages raw ingredients and bed linen. The most likely exception is the stock of rooms. A marketing decision may be made to reduce the stock of rooms available for sale in the low season, for example, by closing a wing or floor; equally the stock can be increased in certain types of hospitality businesses, for example, by installing additional caravan or canvas accommodation [1].

In hotels order processing is the responsibility of reservations or front office management, whereas materials handling is managed within housekeeping, F&B or maintenance departments. Customer service is used to augment the basic hospitality product. The most important physical distribution's decision for marketers is that of location [1]. Physical distribution (also referred to as marketing logistics), in making products available at the right places at the right times, is said to provide the utilities of place and time. That is, to have value a product must not only be available where it is wanted, but also when it is needed [10].

The popular or traditional concept of physical distribution is that it is concerned with the efficient movement of the finished item to the customer. Physical distribution is no longer seen as just another cost center that can erode profits if it is not properly managed. It is now appreciated as an activity having an important role to play in the marketing mix. Thus, increasing emphasis is being given to the evolution of integrated

distribution strategies in the context of total marketing systems. Efficiently carried out, physical distribution provides another important, critical and competitive edge to marketing effort [10].

Location is described by Rathmell J.M. as *the distribution of people and facilities prepared to perform services* [6]. The location of services can be classified in 3 ways [1]:

- Location is irrelevant.
- Services are concentrated.
- Services are dispersed.

Location is irrelevant for gas, electricity, telephone and television. Supply and demand, custom or inertia are the factors which determine whether services are concentrated or dispersed.

Business hotels are concentrated in the main conurbations because of demand. Conversely, demand may also be the main reason for dispersion of services such as restaurants. Sometimes the service organization is centralized but its operations are dispersed [1].

Demand is the most important criterion. Hospitality services must be provided where demand exists. Location decisions start by attempting to understand customers' search behavior. There are 2 distinct, but interdependent, location decisions [1]:

- The selection of a trading area;
- the selection of a particular site within the trading area.

Pioneering work into the relative attractiveness of trading areas was performed by W.T. Reilly in the 1920s and 1930s [1]. Reilly formulated the Law of Retail Gravitation, which states that 2 trading areas (a and b) attract trade from an intermediate point in proportion to the population of those trading areas, and in inverse proportion to the square of the intermediate point's distance from the trading areas [7].

The law is expressed mathematically thus (1.1):

$$\frac{Ta}{Tb} = \frac{Pa}{Pb} \left[\frac{db}{da} \right]^2, \tag{1.1}$$

where a, b = trading areas;

P = population;

d = distance;

T = volume of trade.

The amount of trade attracted to an area is, according to Reilly, a function of its accessibility (*d*) and its attraction (*P*) [1].

The trading area decision, therefore, depends not only on the population of that particular area, but also on its attraction to the residents of other areas. Other demographic factors to consider are trends in population growth and structure [1].

Having selected a trading area on the basis of this analysis, the choice of particular sites in the area now take place [1].

Where *site selection* is more carefully considered, 4 sets of variables are generally considered, as follows [1] are presented in the *table 1.2*.

Table 1.2

Sets of variables

<p>Convenience/approachability includes:</p> <ul style="list-style-type: none"> • visibility; • car-parking; • accessibility to pedestrian traffic; • proximity of rail, sea, or airport termini; • proximity to business, shopping and leisure attractions; • population size and structure; • easy of entry and competition. 	<p>Physical conditions include:</p> <ul style="list-style-type: none"> • external relief and terrain; • availability of utilities such as gas, sewerage, electricity and telephone; • load-bearing capacity of land; • architecture; • planned construction and road building; • standard of adjacent premises.
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Sets of variables

<p>Legal enactments include:</p> <ul style="list-style-type: none"> ▪ zoning and land-use ordinances; ▪ planning and building regulations; ▪ fire precautions; ▪ licensing regulations; ▪ external signing. 	<p>Occupancy costs include:</p> <ul style="list-style-type: none"> ▪ acquisition costs; ▪ rent and rates; ▪ labor costs; ▪ insurances; ▪ heating and lighting; ▪ leasing arrangements; <p style="text-align: center;">expected profitability and cash flows.</p>
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Many companies have their own real estate or properties division responsible for seeking out and evaluating possible sites. However, property-developers, estate agents and solicitors also approach hotel and food service operators with site proposals [1].

The significance of location has been well summarized by Rathmell: services which are not appropriately located may not be performed at all [6].

1.2. Channel management

The distribution channel is the configuration of organizations and individuals between the hospitality marketer and his potential customer which is used to make the product more accessible and convenient. Each organization or individual is known as a `marketing intermediary`, or channel member. Each marketer could conceivably sell direct to each consumer but the cost in time and finance would be immense. Marketing intermediaries have, therefore, evolved to perform cost effectively the bridging function, bringing together buyer and producer [1].

Direct and indirect distribution channels are to be seen apart (*table 1.1*) [3, p.62].

Table 1.3

Direct and indirect distribution channels

Direct distribution channels	Indirect distribution channels
The easiest distribution channel is when the hotel manager prefers to sell his product directly to the consumer	As with other consumption goods, the indirect distribution goes through wholesalers (tour operators) and retailers (travel agencies), and central reservation system (SABRE,GALILEO, AMADEUS), and nowadays also through Internet.

Imagine an exchange system in which there are 3 marketers and 5 consumers. Each consumer wants to buy the product of each producer. Without intermediaries, 15 transactions would occur, as shown in *figure 1.3*. With 1 intermediary, say, a travel agent, only 8 transactions occur, as shown in *figure 1.4* [1, p.277-278].

For the channel to function properly there must be a flow of information and persuasion from marketer to customer – i.e. information about location, price, reservation system, or menu style, and persuasion in the form of, for example, personal selling or promotional literature [1].

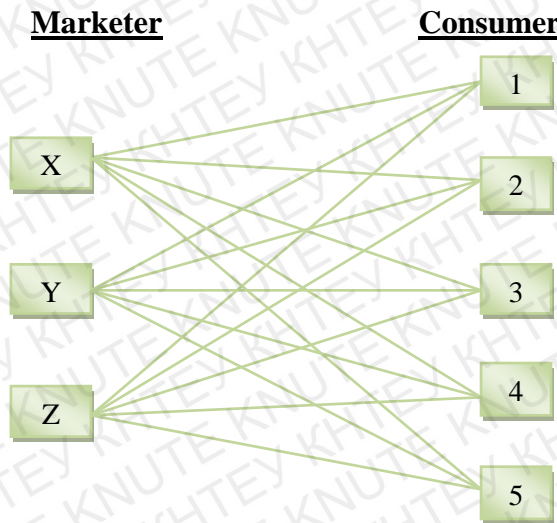


Figure 1.3 Marketing without intermediaries.

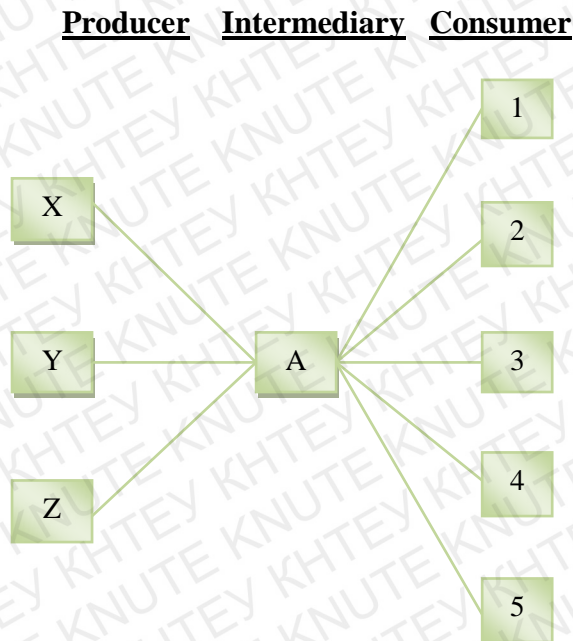


Figure 1.4 Marketing with one intermediary.

Equally there should be a reverse flow of payment and information. For instance, a hotel might contract a block of rooms to a tour operator. Payment would flow from holidaymaker to tour operator to hotelier. Further information about the specific requirements of the tourists would flow through the same channel [1, p. 278].

Most marketing writers generalize that because of the intangible and inseparable nature of services, direct sale is the only possible channel for distributing most of them. A conventional distribution channel can be viewed as a loose coalition in which the objectives of all members must be more or less achieved for the channel to function. Channel members are almost invariably profit-oriented. Direct sale, however, does have advantages, as follows [1, p.278]:

- it can build a reputation for a high level of personal service;
- it improves control over persuasion and information flows between company and customer;
- it avoids payment of fees/commissions to intermediaries.

Distance and language barriers separate buyer from seller. This equation makes it impossible for each hotel to distribute its own products directly. Hence the development of indirect channels. Intermediaries include the following [1].

- ❖ hotel representatives;
- ❖ travel agent;
- ❖ tour operators;
- ❖ referral organizations;
- ❖ tourist board;
- ❖ tourist information center;
- ❖ incentive travel planners;
- ❖ airlines;
- ❖ reservation services;
- ❖ convention bureau;
- ❖ car rental companies;
- ❖ motoring organizations.

The length of the distribution channel varies. The 2-member channel of hotel customer is the direct sale; 3-, 4- and 5-member channels, as shown in the *table 1.4*, are also common [1].

Table 1.4

Indirect channels of distribution for hotels

<i>Quantity of members in channel</i>	<i>Channel of distribution</i>
➤ Three	Hotel → Travel Agent → Customer Hotel → Hotel Representative → Customer Hotel → Incentive Travel Planner → Customer
➤ Four	Hotel → Tour Operator → Travel Agent → Customer Hotel → Airline → Travel Agent → Customer
➤ Five	Hotel → Hotel Representative → Master Travel Agent ↓ Local Travel Agent ↓ Customer

Hotel representatives promote sales and accept reservations for non – competing properties [1].

A travel agent`s business is to serve the consumer in all major aspects of travel. Among a travel agent`s responsibilities are the following [1]:

- ✓ providing a wide range of unbiased travel advice – some clients will visit a travel agent with a specific plan in mind whilst others are looking for ideas;
- ✓ arranging transportation – air, sea, rails, bus, car rental, etc.;
- ✓ arranging for hotel, motel and resort accommodation, meals, sightseeing, transfers of passengers and luggage between terminals and hotels, and special features such as music festivals or theatre tickets;
- ✓ preparing individual itineraries, personally escorting tours or group tours, and selling prepared package tours;
- ✓ handling and advising on the many details involved in modern-day travel – visa, health and passport requirements, travel baggage, insurance.

Tour operators regard hotels as one of the raw materials necessary to create a marketable product, the other being transport, transfer, food, insurance. They contract hoteliers to supply block of rooms at a much-discounted rate. Tour operators differ from all other intermediaries in this list, in that they are wholesalers of accommodation. Unlike agents, wholesalers assume risk by advance ordering on behalf of tourists who have not yet booked holidays. Tour operators may negotiate a `release date` clause into the contract under which, subject to penalty, unsold rooms may be returned to the hotelier. Not all tour operators specialize in outward holiday traffic. Some specialize in domestic travel, often by coach. Others arrange tours for inbound travelers [1].

A referral organization is a group of hotels which agrees, out of mutual self-interest, to handle incoming reservation requests for one another. The organization may be:

- ✚ a corporate group;
- ✚ a voluntary association or consortium;
- ✚ a franchise group.

Most referral systems are based upon computerized reservation systems, with a central data bank and remote terminals in each member establishment. Whilst the true cost of such installations is falling, members and customers experience a number of benefits: immediate confirmations, improved occupancies, convenience of booking

procedure, rapid refilling of cancellations, instant analysis of occupancy data, computer manipulation of room rates for improved profitability and automated invoicing [1].

Tourist board also distribute hotel accommodation. **Tourist information center** is an accommodation and booking service. A small fee is levied when a booking is made [1].

Incentive travel is a growth market. It straddles both business and leisure markets, in that the buyer is a business person, whereas the guest is a holidaymaker. Incentive travel planners design fully inclusive tours as motivational devices. Accommodation in an attractive hotel in a desirable resort is regarded by many as major incentive [1].

Airlines not only book accommodation for flight crews, but also act as intermediaries for passengers and travel agents who want the convenience of a single phone call to tie up all travel arrangements. Thus, the channel could be hotel – airline – customer, or hotel – airline – travel agent – customer. Some airlines have their own hotel properties [1].

Convention bureau provide the following services [1]:

- central bureau to clear reservations for groups too big for 1 hotel;
- registration staff to assist delegates upon arrival;
- distribution of local information to convention delegates;
- advice/assistance for hotel and convention management.

The major **car rental companies** – Hertz and Avis – offer their customers an accommodation booking service. Often, they are able to offer specially negotiated rates. Hertz have a special joint marketing arrangement with the American division of Holiday Inns [1].

Some of **motoring organizations** offer an accommodation booking and itinerary planning service to their members [1].

A hotelier should avoid to have too much done by distribution channels. He has to find a good balance between direct and indirect distribution [3, p.65].

Internet-distribution - is a tool for management and optimization of reservations and hotel revenue, obtained with help of online – channels including [2, p.65]:

- ✚ websites of the hotel chain;
- ✚ call – centers;
- ✚ GDS – systems;
- ✚ Internet – agencies.

Planning a set of measures have to be directed on stimulation of guests, corporate customers, agencies to reservation hotel rooms directly, without intermediaries [2, p.65]. Nowadays, hotel chains compete with big amount of online-agencies for the right to provide own resource for direct reservation. When the hotel chose indirect distribution channel, intermediary earns money. But, hotel chain loses 30% of revenue.

The hospitality industry displays characteristics of both conventional and vertical marketing channel system.

The *conventional channel* is defined as a piecemeal coalition of independently owned and managed institutions, each of which is prompted by the profit motive with little concern about what goes on before or after it is in the distributive sequence [1].

In comparison the *vertical marketing system* is defined as professionally managed and centrally programmed networks pre-engineered to achieve operating economies and maximum market impact [1].

We are witnessing the emergence of VMSs in the hospitality industry. Coordination between members of the conventional channel is achieved through compromise and negotiation. Three types of VMSs have been identified (*see fig. 1.5*) [1].

The difference between the administered VMS and the conventional channel is one of degree. *Administered VMS* channel members still pursue their own objectives, but collaborate effectively to make decisions which are of mutual interest. For example, motels lacking food and beverage facilities will co-operate with local food service outlets to provide dining facilities for guests; coach – tour operators often arrange to stop at chosen food service outlets in return for a consideration [1].

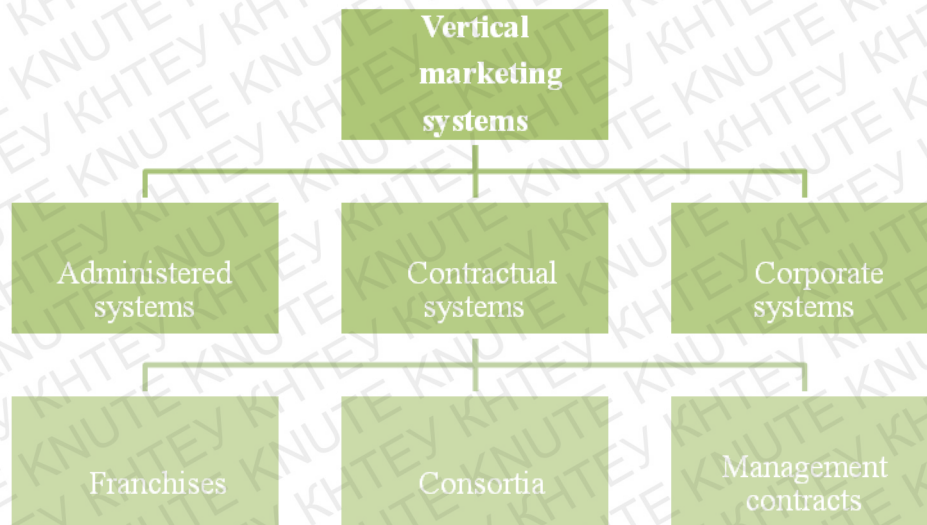


Figure 1.5 Vertical marketing systems

Contractual systems take these relationships a stage further by legally defining formal roles in the channel. *Corporate systems* exist when members at different stage in the distribution channel are owned by a single company [1].

The direction of integration may be forward or backward. Holiday Inns has integrated backwards, buying farmland to produce its own food. Singapore Airlines has integrated forwards, buying its own hotels. The main aim of a corporate VMS is to reduce the suboptimisation which is common in conventional channels, therefore improving profitability [1].

Channel design decisions should be related to the overall marketing plan and strategy and should, therefore, draw upon common information about the market – place. This is implied in *fig. 1.6*, which models the channel planning process [1].

Channel planning starts by identifying target markets and defining the general level, and specific components, of service expected by these markets from channel members.

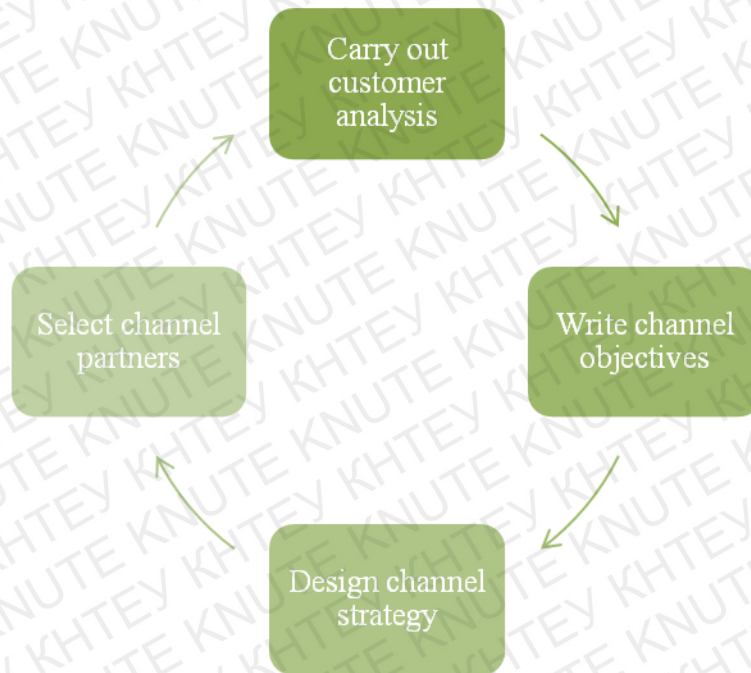


Figure 1.6 The channel planning process

Answers to questions such as the following help to frame channel objectives

[1]:

Do customers want ...

- ✚ to meet with hotel management prior to purchase?
- ✚ to be offered a wide selection of accommodation alternatives?
- ✚ detailed information about hotel amenities and location?
- ✚ immediate confirmation of reservations?
- ✚ cash or credit payments options?
- ✚ one channel member to meet all accommodation/travel requirements?
- ✚ to negotiate terms with hotel management?
- ✚ personal attention?

The hospitality company's channel planner must decide on the appropriate level and components of service for each of this target markets. The expectations of the inclusive tour segment will be quite different from those of the conference organizer or transient one – nightery. Consequently, different channels may be required for each segment [1, p.286].

Channel objectives should explicitly state the contribution that distribution is expected to make towards overall marketing objectives. Channel objectives should explicitly state the contribution that distribution is expected to make towards overall marketing objectives.

Generally, distribution objectives fall into 3 categories (sales, profit, service output) presented in the *table 1.5*. [1, p.286].

Table 1.5

Channel Objectives

Sales objectives	Profit objectives	Service output objectives
<ul style="list-style-type: none"> ❖ To fill 15% of rooms through hotel consortium; ❖ to shift from a 75 – 25 split between direct and indirect sell to 60 – 40; ❖ to improve average achieved room rate by 2.5 per cent. 	<ul style="list-style-type: none"> ❖ To earn 25 per cent of our profit from sales to tour operators. 	<ul style="list-style-type: none"> ❖ To offer immediate confirmation of reservations; ❖ to offer 2 months` credit to selected customers.

The focus of the strategy is the level of market coverage – the number of outlets servicing a given geographic area or market segment. As indicated in *fig.1.7*, the strategic alternatives are intensive, selective or exclusive distribution [1, p. 287].

A city-center hotel may use selective distribution to reach meetings planners but intensive distribution at all major travel termini to reach the transient one-nighter. When opting for intensive distribution, the hospitality marketer may face a number of adverse consequences [1]:

- loss of control over the marketing of his product;
- falling prices as competition host up;
- a slide in the quality of the channel members` service output;

- deterioration of image.

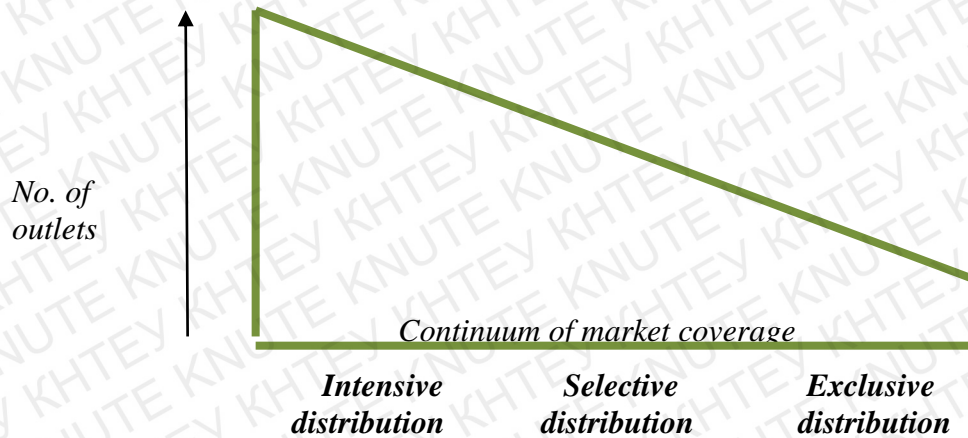


Figure 1.7 Market coverage

On the other hand, exclusive distribution arrangements involve careful negotiation of territories covered or markets served, sales quotas, co-operative advertising and promotion, duration of exclusivity and provisions for renewal or termination [1].

Having settled the coverage issue, attention must be given to selection of specific classes of channel partners. Their ability to achieve the objectives, provide suitable service outputs and reach the chosen target markets will largely determine whether they are to be included in the channel design. At this stage the channel planner will probably be considering a number of channel configurations for each target market. A number of factors can influence the suitability of each configuration [1]. Rosenbloom B. identified 6 categories performed in the *table 1.6* [5].

Table 1.6

**Categories of variables that can influence
the suitability of configuration for each target market**

<p align="center">Market variables</p>	<ul style="list-style-type: none"> ○ The greater the distance between company and market, the less profitable is direct distribution. ○ The smallest the market, the more direct channel. ○ The denser the market, the more direct the channel.
<p align="center">Product variables</p>	<ul style="list-style-type: none"> ○ The more perishable the product, the shorter is the channel. ○ The higher the unit value of the product, the shorter the channel. ○ The more customized the product, the more direct the channel. ○ The more complex or novel the product, the more direct channel.
<p align="center">Company variables</p>	<ul style="list-style-type: none"> ○ The larger the hospitality company, the greater is the flexibility in channel selection. ○ The more that capital is available, the less dependence upon intermediaries.

**Categories of variables that can influence
the suitability of configuration for each target market**

Middlemen variables	<ul style="list-style-type: none"> ○ The key factors influencing channel structure are the availability, cost and service outputs of intermediaries
Environmental variables	<ul style="list-style-type: none"> ○ Economic factor. ○ Socio – cultural factor. ○ Competitive factor. ○ Technological factor. ○ Legal factor.
Behavioral variables	<ul style="list-style-type: none"> ○ Conflict, power roles and communication within the alternative channels.

The channel designer has to identify and select specific channel partners. The selection process involves evaluating each prospect against a set of criteria, often in checklist format. Questions such as these must be answered [1]:

- Is the distributor profitable?
- How well established is he?
- Does he sell complementary products?
- What is his customer profile?
- Will he display our literature?
- Will he attend product training programs?
- Does he sell competing products?
- What is his reputation?
- Does he employ outside sales staff?
- Is he complacent or aggressive?
- Will he provide the required service outputs?
- Is his management sound?

If the answers satisfy channel designer, therefore, the selection and identifying specific channel partners is done correctly and competently.

A channel partnership can be a win-win for both the vendor and the partner. By choosing the right group of channel partners, the vendor is able to get a big bang for their buck. They can increase sales exponentially by gaining access to the partner's existing customers. Conversely, the channel partner is able to increase revenue by cross selling or up-selling a new product to its existing customers and by acquiring additional customers who are interested in the new offering [9]. The challenge for both the vendor and the potential channel partner is to find the right fit. The 80/20 rule is well known in channel sales. It states that, on average, 20% of a vendor's partners will generate 80% of the indirect sale channel's revenue [9].

Conclusion to Part 1

Very important question in hospitality is to evaluate distribution channels, to determine effectiveness each of them and create powerful distribution system for excellent revenue results. Distribution has 2 dimensions: the distribution channel and physical distribution. The general channel's function is to provide time and place utilities. Information, persuasion and payment flow through the channel. Channels can be classified as direct or indirect. Channel members include hotel representatives, travel agent, tour operators, referral organizations, tourist boards, tourist information centers, incentive travel planners, airlines, computerized reservation services, convention bureau, motoring organizations and car rental companies. All channels have at least 2 members: the hospitality company and the customer; 3-, 4- and 5-member channels are commonplace.

The hospitality industry displays characteristics of both the conventional and vertically integrated marketing system. Vertically marketing systems are professionally managed and centrally programmed networks. There are 3 main types of contractual vertically integrated marketing systems

in hospitality: franchises, consortia and management contracts between hotel proprietors and their managerial agents.

Achievement of marketing objectives is hampered by inappropriate marketing channels. A 4-step channel planning process involves:

- customer analysis;
- design channel strategy;
- writing channel objectives;
- selecting channel partners.

The channel should be designed to provide the level and forms of service required by prospective customers of the hospitality company. Channel objectives fall into 3 categories: sales, profits and service output objectives.

Channel strategy focuses on market coverage – the alternatives are intensive, selective or exclusive distribution. In choosing between alternative channel configurations the planner must consider market, product, company, middleman, environmental and behavior variables.

The selection of individual channel members normally involves evaluating each prospect against a set of criteria.

Location is the most important Physical Distribution decision for hospitality companies. The location of service can be classified in 3 ways: location is irrelevant; services are concentrated; or services are dispersed. Hospitality companies locate where demand exist. There are 2 distinct, but interdependent, location decisions: selection of trading area, and selection of a particular site within the trading area.

The Law of Retail Gravitation explains that the trade done in an area is a function of the area's attraction and accessibility. Attraction and deterrence factors vary according to the type of hospitality business.

Four sets of variables are generally considered when evaluating sites: convenience and approachability; physical conditions; legal enactments and occupancy costs.

Creating a system of hotel distribution provides maximum satisfaction of each guest with the purpose to obtain regular customers. The general condition for it – to provide an opportunity of convenient reservation for consumers [2, p. 65].

PART 2. ANALYSIS OF HOTEL DISTRIBUTION FOR THE INBOUND TOURISM SEGMENT IN HOLIDAY INN INC.

2.1. InterContinental Hotels Group overview

InterContinental Hotels Group (IHG) Plc (*table 2.1*) is a British hotels group established in 1946 by Juan Trippe. The group is one of the leading hotel companies with 12 different brands (*table 2.2*), presence in 100 countries and 766,837 available rooms worldwide. The company has its headquarters in Denham in U.K and has more than 28,000 employees as of 2016 [15].

Table 2.1

IHG Overview

Business Sector	Oil and Gas	
Operating Geography	UK, Global	
Revenue	\$4,337m - FY ending 31st Dec 2018 (y-o-y growth 6.4%) \$4,075m - FY ending 31st Dec 2017	
Ownership	Name of the Shareholder	% (Stake)
	Capital International Investors	(39.16%)
	FMR LLC	(36.12%)
	Renaissance Technologies LLC	(2.76%)
	Parametric Portfolio Associates LLC	(2.21%)
	Arrow street Capital, Limited Partnership	(1.58%)

Table 2.2

IHG Major Brands

			
			
		 AN IHG® HOTEL	 <i>Holiday Inn</i>
			

IHG major competitors include [15]:

- Belmond Ltd.
- Boyd Gaming Corporation
- Caesars
- Entertainment Corporation
- Century Casinos, Inc.
- Choice Hotels International, Inc.
- Civeo Corporation
- Eldorado Resorts, Inc.
- Extended Stay America, Inc.

- Full House Resorts, Inc.
- GreenTree Hospitality Group Ltd.
- Hilton Grand Vacations Inc.

During the project work, we analyzed acquisitions, mergers, alliances, joint ventures, divestitures of IHG and performed information in the *table 2.3* [15].

Table 2.3

Top acquisitions, mergers, alliances, joint ventures, divestitures of IHG

Name of the Company	Business Segment	Year	Type	Objective/Synergy achieved
Starwood Capital Group (under the Principal Hotels and De Vere brands.)	Hospitality Group	2018	Acquisition	The deal was worth US\$ 1.1 billion. The hotels will convert to brands under the IHG umbrella, reportedly either its luxury InterContinental flag, its upper-upscale Kimpton Hotels or a new upscale conversion brand that is still under wraps. The deal should help spur expansion of the Kimpton brand in Europe, where currently there is only one hotel, in Amsterdam.
Regent Hotels and Resorts	International luxury hospitality	2018	Acquisition	The deal is worth US\$ 39 million wherein IHG bought 51% stake in Regent Hotels and Resorts. IHG will bring Regent within its own luxury hotel brand portfolio, with the aim of growing it from six hotels today to over 40 in key global gateway cities and resorts over the long term.
Toledo International	Real Estate	2018	Partnership	Led to signing of a new property in Singapore: Holiday Inn Express Singapore Serangoon
TripAdvisor	Travel Site and App	2017	Partnership	The App will include all the company's hotel brands in the TripAdvisor instant booking marketplace. In the coming months, consumers will be able to instantly book rooms at IHG properties directly, without leaving the TripAdvisor site or app.
SAMHI	Premier Lodging Real Estate Firm	2017	Partnership	Rebranding approximately 2000 rooms within its India hotel portfolio, to Holiday Inn Express hotels. The partnership has strengthened IHG's presence across India, with the newly signed hotels located across 11 key cities, resulting in 90% of the Holiday Inn Express portfolio being concentrated in Tier 1 cities.

*Continuation of Table 2.3***Top acquisitions, mergers , alliances , joint ventures,
divestitures of IHG**

Amadeus	Provider of advanced technology solutions for the global travel industry	2015	Partnership	Together, IHG and Amadeus will develop a next-generation Guest Reservation System (GRS) that will revolutionize the technological foundations of the global hospitality industry.
AWH Partners LLC	Real Estate investment, development and management firm	2014	Acquisition	The all-cash acquisition led to the renovation and conversion of the former Hotel Melia in Atlanta. The 501-room hotel officially converted to the Crowne Plaza brand and immediately underwent a total renovation, ultimately creating a 360-room Crowne Plaza hotel.
Kimpton Hotel & Restaurant Group	Independent boutique hotel and restaurant business	2014	Acquisition	The acquisition was done for \$430 million in cash. The acquisition was another step in IHG's well-established asset-light strategy of investing in high-quality growth, building on a strong track record of developing iconic global brands. This acquisition of IHG was aimed at creating the World's Largest Boutique Hotel Business
Norland College	Provider of early years training	2014	Partnership	The partnership will see Norland College provide all InterContinental Hotels & Resorts around the world with expert guidance on babysitting and staff recruitment to ensure families have the best quality care when they stay at an InterContinental hotel or resort.
Orange Lake Resorts	Resorts	2008	Alliance	Launch of Holiday Inn Club Vacations.

2.2. InterContinental Hotels Group analysis of current position

In this project we decided to use SWOT & PESTLE analysis to assess IHG current position. The main differences between a SWOT or PESTLE analysis are that a SWOT analysis focuses on actions IHG can take INTERNAL to business environment, a PESTLE analysis identifies EXTERNAL factors that are mainly outside of IHG control.

International Hotel Groups (IHG) SWOT & PESTLE analysis has been conducted and reviewed by senior analysts from Barakaat Consulting and performed in the *table 2.4 and 2.5* [15].

Table 2.4

SWOT Analysis of IHG

Strength	Weakness
<ol style="list-style-type: none"> 1. Asset light business model 2. Wide geographical presence with focus on priority markets 3. Customer experience & relationship focus 4. Occasion wise brand portfolio 5. Strong digital outlook and implementation 6. Strong financials and high RevPAR 	<ol style="list-style-type: none"> 1. No economic hotel brand 2. Poor information security systems 3. Slipped to 3rd position worldwide
Opportunity	Threat
<ol style="list-style-type: none"> 1. Fragmented branded hotel market 2. Increased international tourist travel 3. Technology facilitated bookings 	<ol style="list-style-type: none"> 1. Sharing Economy in Hotel Industry 2. Unprecedented events leading to market instability 3. Increased dependencies on Intermediaries

IHG`s Strength

1. Asset light business model: One of the key strengths of InterContinental Hotels Group is the asset light business model. The Company is implementing this by

adopting predominantly franchise model in US, managed model in AMEA and reducing owned hotels to 8 globally. In this way it is becoming asset free, cash generative and is returning the surplus cash to shareholders post strategic investments. It has returned £5.9 billion of funds to shareholders since 2004 till date [15].

2. Wide Geographical Presence with Focus on Priority Markets: The group has presence in 100 countries with 766,837 rooms. It has 87% of total open rooms and 89% of pipeline rooms in priority markets of US, Middle East, Germany, UK, Canada, Greater China, India, Russia and CIS, Mexico and Indonesia. It has an established and strong presence in the emerging economies where spend on travel and hotel is increasing. The lifestyle brand Kimpton Hotels & Restaurants has been made global and strategically positioned as an upper middle-class lifestyle brand [15].

3. Customer Experience & Relationship Focus: IHG trends report reveals that the consumer preferences are shifting towards personalization and uniqueness of services unlike traditional preference on availability and cost. IHG is equipped to handle the change with the Guest Reservation System which provides cloud-based booking platform that offers guests a more personalized experience. “Your Rate by IHG Rewards Club” provides access to exclusive, preferential rates to loyalty members booking through direct channels & the “Guest Journey” is building loyalty relationships and strengthening their competitive advantage. IHG also supports the needs of travelers through wellwellwell.com to nurture long lasting relationships with their prospective customers [15].

4. Occasion wise Brand Portfolio: IHG has followed a unique approach of segmenting and popularizing different brands of hotels (12 in number) on the basis of guest occasions which helped them in a differentiated brand experience for guests that better meets their expectations. As an example, The Indigo Hotel Brand which reflects the rhythm of the place it is located in & is specially catered for people inspired by newness. The Holiday Inn which is becoming popular mostly in Asia market especially in China is focused on family time & social identity. The

Staybridge Suites Hotels is with differentiated focus on business productivity [15].

5. Strong Digital Outlook and Implementation: Crowne Plaza is a fully digital brand of the IHG focused to be a front runner in the digital adoption race. IHG's mobile app has driven \$1.3B (0.34% of the total revenue) revenue and has helped in securing flagship locations. Data driven targeted marketing across various channels, Mobile check-out and Wi-Fi offer IHG Connect all are initiatives to satisfy the digital consumer and fast forward the adoption [15].

6. Strong Financials and High RevPAR: The company has market cap of around \$ 10.64B, while profit before exceptional items (\$707m) increased by 4.0% Groups' gross revenue, Underlying revenue(\$113m) and underlying operating profit(\$67m) increased by 2.1%, 8.0% and 11.5% respectively in 2016 compared to 2015. Comparable Group RevPAR (revenue per available room, which is a key performance metric for the Hotel Industry) increased by 4.4%, with growth across all regions. This shows that the company is extremely cash rich and has strong financial base [15].

IHG`s Weakness

1. No Economic Hotel Brand: IHG group is serving all types of customers except the economy class. This segment cannot be underestimated as this forms a major component of the population especially when the emerging economies are turning to be priority markets for the Hospitality Industry. Also, in case of a sudden economic turndown the luxury/upper middleclass customers would shift to the economic segment [15].

2. Poor information security systems: Recently in May 2017 the group was attacked by a malware in 1200 locations with 12 hotels affected. The Group has to deploy efficient systems to protect guest and employee financial and personal data such incidents would deteriorate the brand value [15].

3. Slipped to 3rd position worldwide: Post the merger of Marriott & Starwood, IHG was downgraded to third position globally with Hilton and Marriott occupying the first two places. IHG stood second in the European Union. The rankings are based on the number of rooms available in the system. In an industry where scale influences

profitability this is a serious concern for IHG [15].

IHG`s Opportunities

1. **Fragmented Branded Hotel Market:** Branded hotel market which is 53% of total rooms supply globally is fragmented with only 24% of total rooms available with first 5 players and the rest in pipeline. So IHG has huge opportunity to consolidate the remaining pie and scale up [15].

2. **Increased International Tourist Travel:** International tourist travel is expected to increase from 1.2 billion to 1.9 billion tourist arrivals by 2026 mainly due to the increase in GDP, change in demographics, low cost airlines & fewer travel restrictions which offer tremendous opportunity for IHG's family time brands like HolidayInn, Kimpton & Indigo [15].

3. **Technology Facilitated bookings:** Mobile bookings to account for 40 per cent of online travel sales by 2020 and with people planning travel on social media, IHG group has to develop systems and applications which can support and augment this technology aided sales. Also, they can use Big Data Analytics to create personalized & unique experiences for their guests [15].

IHG`s Threats

1. **Sharing Economy in Hotel Industry:** Companies like Airbnb are a biggest threat to IHG business model as Airbnb focuses only on the experience and have adopted a zero-asset model. They had 10 million stays in 2016 and are able to attract the short break experience segment with value for money as Unique Selling Proposition (USP) [15].

2. **Unprecedented events leading to market instability:** Events like actual or threatened acts of terrorism or war, political or civil unrest, epidemics or threats thereof, travel-related accidents are major external environment factors which might reduce the domestic and international travel which adversely affects the group's revenue. Europe has been targeted in a series of terrorist attacks over the last two

years with attacks in UK, France, Germany, Spain and Belgium and the threat level of future attacks has been raised. This will impact the tourism business in the region impacting IHG [15].

3. Increased dependencies on Intermediaries: 60% of the Group’s revenue originate from large multinational, regional and local online travel agents, owners, vendors, suppliers who might gain market share and might impact profitability or can become competitors by vertical integration [15].

The PESTLE analysis of IHG is presented below [15]:

Table 2.5

PESTLE Analysis

Political	Economic
1. Impact of Brexit referendum 2. Terrorist attacks in Europe	1. Influence of oil prices 2. Effect of GDP growth on sales
Social	Technological
1. Influence of Cultural Differences 2. Increase in propensity to travel due to change in demographics, lifestyle, etc. 3. Impact of epidemics like virus spread	1. Digital bookings 2. Social media listening platforms 3. Using big data for personalization
Legal	Environmental
1. Travel restrictions 2. Data breach law suits	1. Green engage system – sustainable business practices 2. IHG’s water risk assessment

Political factors

1. Impact of Brexit referendum: Currency fluctuations due to Brexit might not impact the IHG group as 2/3rd of the group’s investment and 70 percent of the company’s debt as on June30th 2016 are in sterling which shields it from the currency fluctuations. But the change in immigration laws might reduce tourist travel in the U.K and modifications to worker visa rules will definitely impact its current operating structure [15].

2. Terrorist attacks in Europe: Previously IHG has “significant” declines in

revenue per available room (RevPAR) in the countries of France, Turkey and Belgium in the third quarter of the 2016 due to the terrorist attacks. There was 1.3% rise in global RevPAR but was flat in Europe due to the decrease in domestic & international travel with fear of a terrorist attack. Similarly, recent Manchester Blasts in May 2017 might impact the revenues negatively [15].

Economic factors

1. Influence of Oil Prices: IHG performance was impacted in the second quarter of 2016 as RevPAR was down by 6 percent in the oil markets, compared to the non-oil markets up almost 4 percent. Also due to the imbalance in the supply growth and low oil prices the RevPAR for the Middle East fell by 8 percent in Q2 of 2016. Major impact of high oil prices is on the cost of airline travel and road trips which adversely affect the demand and this has a ripple effect on the Hotel Industry [15].

2. Effect of GDP Growth on Sales: Over the long term, the lodging industry has grown broadly in line with gross domestic product (GDP) Real GDP in the U.S. grew at an annual rate of 1.2 percent in the second quarter which is reflected in the Q2 RevPAR up to 2.6% and an increase in operating profit by 9%. With increase in per capita income and spend on travel, GDP growth is positively affecting the business growth with ceteris paribus. Also, with only 63% of workforce employed (remaining 37% to be potential customers) the imbalance in supply & demand in this industry might reduce in the near term [15].

Social factors

1. Influence of Cultural Differences: Varying cultures are of great interest to customers as they want to travel to a specific destination to experience a particular culture or use religion as a reason to visit a country to practice their faith and beliefs. This requires the culture of place to be preserved and reflected in the hotel, exactly what the Indigo brand (revenue of \$0.4B) of IHG is serving [15].

2. New trends due to change in demographics, lifestyle: With the increase in

world population and 12% of world's population of age above 60 years, there is an increasing desire to travel. Moreover, IHG trends report suggests that millennial want personalized experiences and old age people are looking for humanity in travel [15].

3. Impact of epidemics like virus spread: With the news of spread of Zika virus in Miami & Florida the tourism Industry witnessed a decrement in occupational rate by 3.3% in the winter months of 2016. This resulted in decline in demand for the IHG. The crisis management system of IHG was able to effectively handle the situation [15].

Technological factor

1. Digital bookings: According to industry research forecasts, 45% on travel sales by 2020 would be through online channels. Supporting this currently 20% of group's revenue i.e. \$4.2B is from digital channels, of which \$1.33B is from mobile app bookings. Guest Reservation system which allows users to pick and customize their rooms is just around the corner according to a recent survey by McKinsey [15].

2. Social media listening platforms: IHG trends report quotes that Social networks are being used to plan trips and share experiences. There is a definite need to develop social media listening platforms which can analyze the social media data and describe what customers would like to have and IHG's brand perception among customers. IHG Rewards is one such program in this regard and has driven 64% of millennials to the group [15].

3. Using big data for personalization: Big Data and predictive analytics can be used to create personalized experience for the guests with personalized greeting at the hotel entrance, custom offers, tailored hospitality; etc. Guest Reservation System (GRS) of IHG is constantly evolving in this regard [15].

Legal factors

1. Travel Restrictions: Recent travel restrictions imposed by the US have reduced the bookings from seven countries by 80% according to the research firm ForwardKeys which will impact the hospitality industry. Though the restriction

appears to be a temporary but still the impact was 17% less searches on US flights which shows a direct correlation of reduced sales [15].

2. Data Breach Law Suits: With data laws becoming stringent across countries IHG have had to deploy systems and should be double conscious in protecting consumer data. IHG is facing a data breach class action lawsuit for failing to protect customer debit & credit card data. The plaintiff is seeking actual & punitive damages which would adversely affect the demand of IHG & deteriorate its brand perception in the digital channel [15].

Environmental factors

1. Green engage system – sustainable business practices: Sustainability is an important practice for the hospitality industry as it enables the organizations to share their values with their customers. IHG has created an online sustainability platform - IHG Green Engage system which enables its hotels to measure and manage their environmental impact. Further the hotels can choose from over 200 ‘Green Solutions’ which help them across their environmental initiatives. The IHG Green Engage system also has four levels of certification which the hotels can achieve and Level 1 certification is a mandatory requirement for all IHG hotels which includes ten best sustainability practice solutions [15].

2. IHG’s water risk assessment: InterContinental Hotels Group (IHG) has a global portfolio of more than 5,000 hotels, thus it is imperative that the group implements efficient water management practices. IHG has entered into a partnership with the Water Footprint Network which has allowed it to map all its open properties and hotel against water related risks. The assessment also identifies the action plan to counter the risks within a sustainable framework [15].

2.3. Analysis of IHG`s Strategic Report

IHG are focused on growing of portfolio in high-potential areas, and have launched and acquired new brands in the mainstream, upscale and luxury segments in recent years. IHG have also developed state-of-the art technology to drive hotel demand, be it through mobile booking app or cloud-based hotel solutions. IHG`s distribution channels (booking sites and call centers through which hotel rooms are marketed and booked) allow hotel owners to reach potential guests at lower costs of sale, with the proportion of revenue from rooms booked through IHG`s direct and indirect channels having steadily increased over the last 3 years [14].

Building upon a position of great strength as one of the world`s leading hotel companies, this period has been characterized by a desire to add pace, agility and ambition to operations, culture and enterprise offer, and ensure that IHG is well positioned to reach its full potential for the long-term [14].

IHG clearly defined strategy for high quality growth, performed in *figure 2.1* [14]:

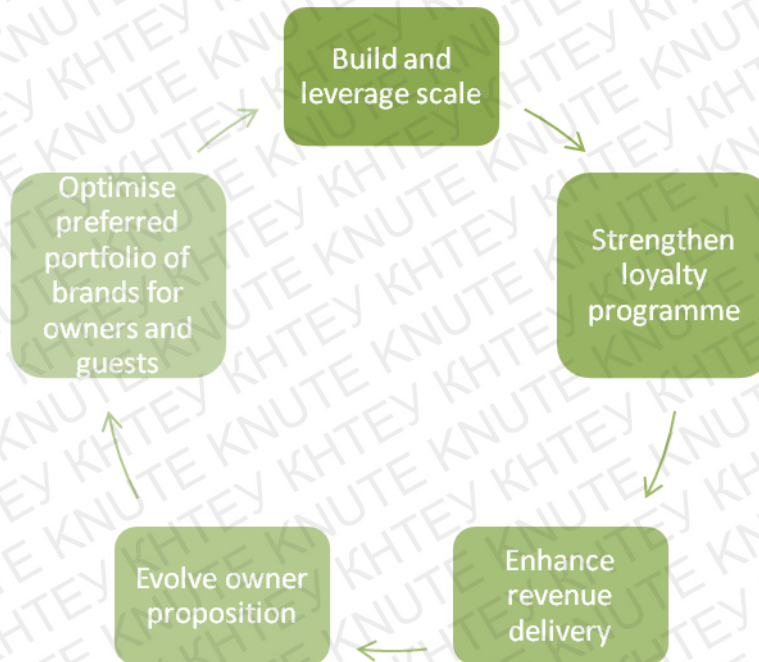


Figure 2.1 IHG`s Strategic model

IHG consistently enhance and grow their mainstream, upscale and luxury brands in high-value markets with strong consumer demand to create scale positions

and develop a differentiated guest and owner offer. With disciplined execution, IHG focus on key markets with high potential, investing ahead of demand to drive high-quality growth. This means consistent, sustained growth in cash flows and profits over the long-term [14].

IHG strategy is executed through a strong set of values, business behaviors and talented people, with a clear commitment to grow in the right way for communities and the world around them, delivering on their purpose to provide True Hospitality for everyone [14].

During the last year, IHG define 3 major trends shaping hospitality industry (figure 2.2):

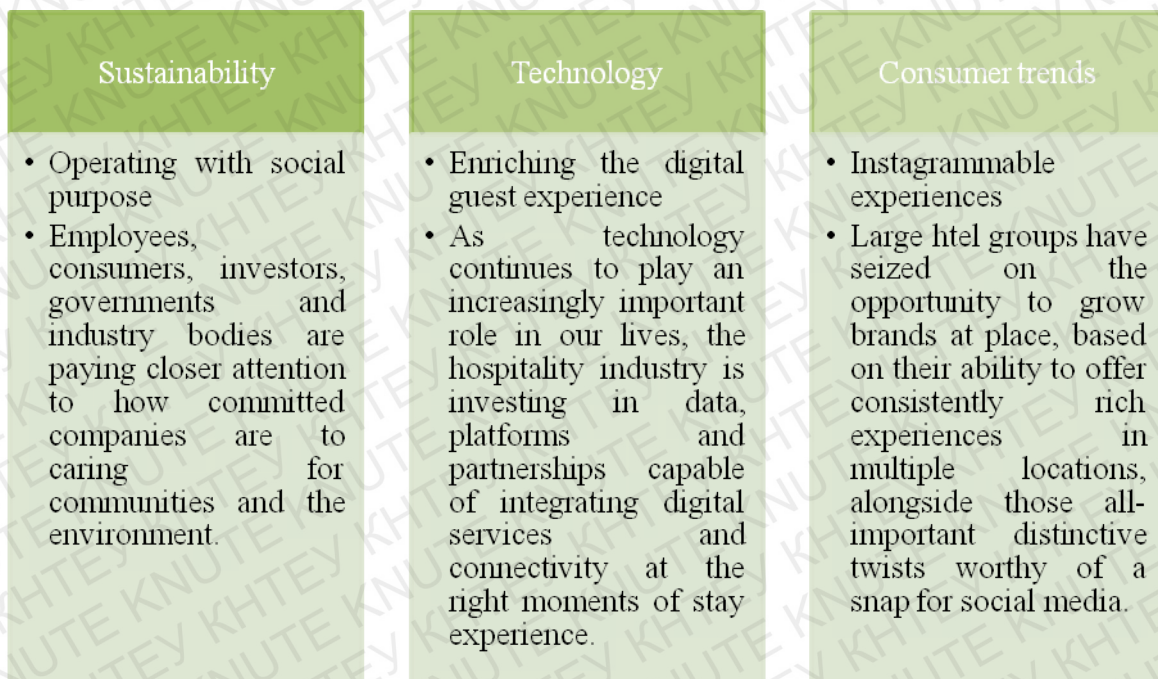


Figure 2.2 Trends shaping hospitality IHG

Investments in development resources has meant that IHG can provide outstanding operational support to owners. They have embedded new processes to help reduce the time taken from hotel signing to ground break and opening. IHG's hotels also have access to a suite of applications designed to help them manage and improve performance, with the aim of further boosting returns [14].

«IHG represents a broader industry trend in that it's getting tougher with online travel agencies and wholesalers in the West while becoming more experimental with online travel sellers in Asia, where it needs help to grow its sales. Its use of new technologies to try to keep its strategy coordinated and to boost revenue are eye-catching» - Sean O'Neill.

During the research, main distribution channels of IHG were recognized. We decided to determine it on the example of Holiday Inn, as a one brand of IHG's portfolio (figure 2.3) [23].

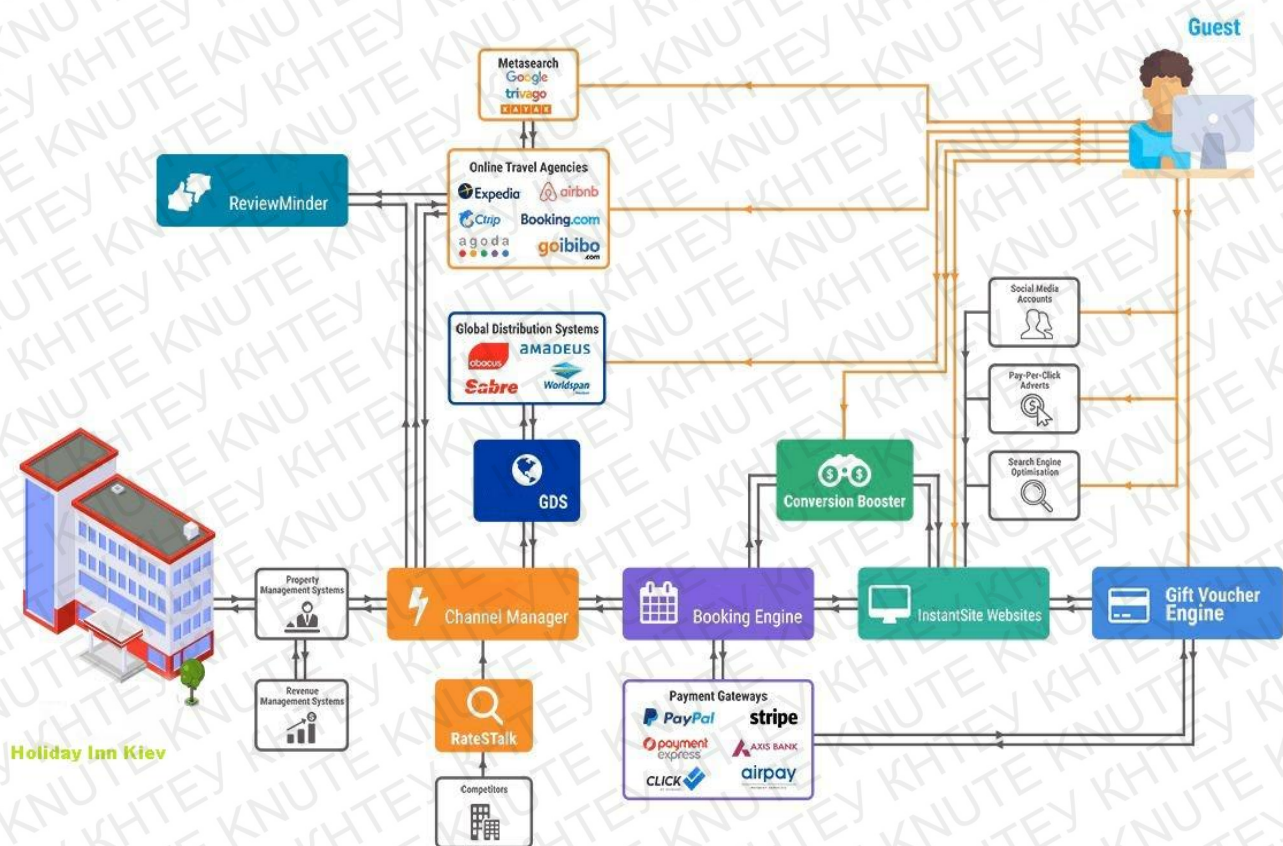


Figure 2.3 Distribution (of hotel services) system of Holiday Inn Kiev for the inbound tourism segment

Holiday Inn Inc. prefers third-party bookings when other hotels prefer direct reservations. There are main distribution channels of Holiday Inn Kiev to spread hotel services for the inbound tourism segment (potential customers):

- Online Reservation System (Booking.com);
- Online Travel Agencies;

- Global Distribution System;
- Expedia;
- Google;
- TripAdvisor.

During the analysis of Holiday Inn Kiev, we defined also alternative distribution channels that have significant impact on effectiveness of hotel distribution system in modern conditions:

- online marketplace for reservation, rent and accommodation - Airbnb;
- HomeAway vacation rental marketplace, operated through 50 websites in 23 languages;
- Amazon;
- Facebook (Instagram);
- Ryanair Rooms hotel booking.

Holiday Inn Kiev use third-party distribution channels to help sell their inventory.

These include: the global distribution system, online travel agencies and channel managers. Hotel property management system (hotel PMS software) interfaces with a number of these systems to streamline online distribution. A hotel's inventory is managed with hotel PMS which can take direct bookings in person and on Holiday Inn`s properties website. If a hotelier wants to expand their reach, they can choose to also offer inventory on the global distribution system and various online travel agencies.

The global distribution system is used to provide inventory to travel agencies worldwide, who can then sell it directly to their customers. In order to connect to the GDS hotel must partner with the GDS provider like travel click or synaxis.

Online travel agencies, like Expedia and Booking.com are websites that sell inventory directly to customers around the world. After signing up with OTA services and/or a GDS Channel, inventory information must be kept up to date. This is most efficiently done by interfacing with your property management system. Rate and availability information is pushed from Holiday Inn`s PMS to OTA and GDS channels and when inventory is booked, the reservation data automatically moves

back to property management system. This seamless integration saves Holiday Inn years' time and energy, and reduces the likelihood of manual errors and overbooking. Holiday Inn is using PMS software, also have the option of interfacing with a channel manager, such as site minder or allocator. Channel managers act as a single point from which to manage inventory on multiple booking channels and may be beneficial for properties using a large number of OTAs. Regardless of if choose to interface with individual OTAs and GDS channels or a channel manager the interface will work 24 hours a day, seven days a week, automatically updating inventory and reservation data across all systems.

Conclusion to Part 2

Hotel chains are expanding at a faster rate than the overall industry and independent operators are increasingly under pressure to affiliate their properties to major brands. Meanwhile, 'rogue' OTAs, that have no contractual relationship with hotels, are undercutting direct rates as they unload wholesale inventory into the retail marketplace. The value of so-called social media 'influencers' is questionable for hotels. Facebook can offer a hotel well-targeted advertising coverage. Loyalty programs are evolving towards offering more immediate rewards. Airbnb has upped the ante as a valid distribution platform for hotels – which may put pressure on the big OTAs down the road [20].

Booking direct not always best. Some of the programs also protect customers from 'getting walked' when the hotel is overbooked, and give them waitlisted priority to check-in, even though they may never have stayed in the hotel previously. In fact, many of the hotel groups that offer such onsite benefits don't operate formal frequent guest schemes themselves. Rather these programs are offered to guests booked by their top-producing travel agents. Thus, in order to enjoy the benefits, guests need to book via an agency that offers the program [20].

Travelers are advised to ask their agents to which programs they are affiliated. Alternatively, they can Google the name of the program and "travel agent" and

participating agencies should pop up. Otherwise, the hotel groups don't publish lists of agents which participate in their programs. In fact, this reality belies the widely trumpeted message that "booking direct is best"[20].

During the project, we estimated SWOT and PESTLE analysis of IHG and recognize threats. Particular attention should be paid to solve the threat of Increased dependencies on Intermediaries. That's why we described way of solving the problem in Part 3.

IHG group is serving all types of customers except the economy class. This segment cannot be underestimated as this forms a major component of the population especially when the emerging economies are turning to be priority markets for the Hospitality Industry. Also, in case of a sudden economic turndown the luxury/upper middleclass customers would shift to the economic segment [15].

IHG trends report reveals that the consumer preferences are shifting towards personalization and uniqueness of services unlike traditional preference on availability and cost. IHG is equipped to handle the change with the Guest Reservation System which provides cloud-based booking platform that offers guests a more personalized experience. "Your Rate by IHG Rewards Club" provides access to exclusive, preferential rates to loyalty members booking through direct channels & the "Guest Journey" is building loyalty relationships and strengthening their competitive advantage. IHG also supports the needs of travelers through wellwellwell.com to nurture long lasting relationships with their prospective customers [15].

Mobile bookings to account for 40 per cent of online travel sales by 2020 and with people planning travel on social media, IHG group has to develop systems and applications which can support and augment this technology aided sales. Also, they can use Big Data Analytics to create personalized & unique experiences for their guests [15].

PART 3. THE DIRECTIONS FOR IMPROVEMENT OF DISTRIBUTION SYSTEM OF HOLIDAY INN KIEV FOR THE INBOUND TOURISM SEGMENT

3.1. Directions for improvement of Holiday Inn`s distribution of services

Modern expectations around travel and its associated experiences continue to become more complex and sophisticated, with shifting consumer dynamics and increasingly intelligent technology pushing the boundaries of what is possible. IHG has proven itself to be pioneering and ambitious over many decades – a commitment that requires an ability to capture trends, thoughts and opinions, and to realize ways to bring them to life.

IHG has a proud history of meeting such challenges head-on: from connecting the travel industry for the first time with our HOLIDEX booking system in the 1970s, to taking the first online hotel booking in the 90s, and most recently creating IHG Concerto, a sophisticated cloud-based technology platform with an industry-leading Guest Reservation System [16].

The guest of the future is a traveler and a prolific user of social media. If emerging cultural trends are a useful indicator, it's likely that the guest of the future will look for an end-to-end travel and hospitality experience that is *(figure 3.1)* [16]. "Today's traveler is more educated, more sophisticated, well-traveled, informed, savvy and price-sensitive. Sophisticated tourists are more demanding and aware, hence the desire for engagement." - Ian Yeoman, Associate Professor of Tourism Futures, Victoria University of Wellington [16].

Guests do not specifically seek automated service, self-service, or human service. However, they do desire solutions that exceed their expectations for experiences that are memorable, shareable and surprising. Consumers will very likely put pressure on hospitality providers to operate outside their own branded silos in a more connected way. Smartphones are the most important consumer-facing technology, but human staff are often the known and preferred way of accessing information when guests stay [16].

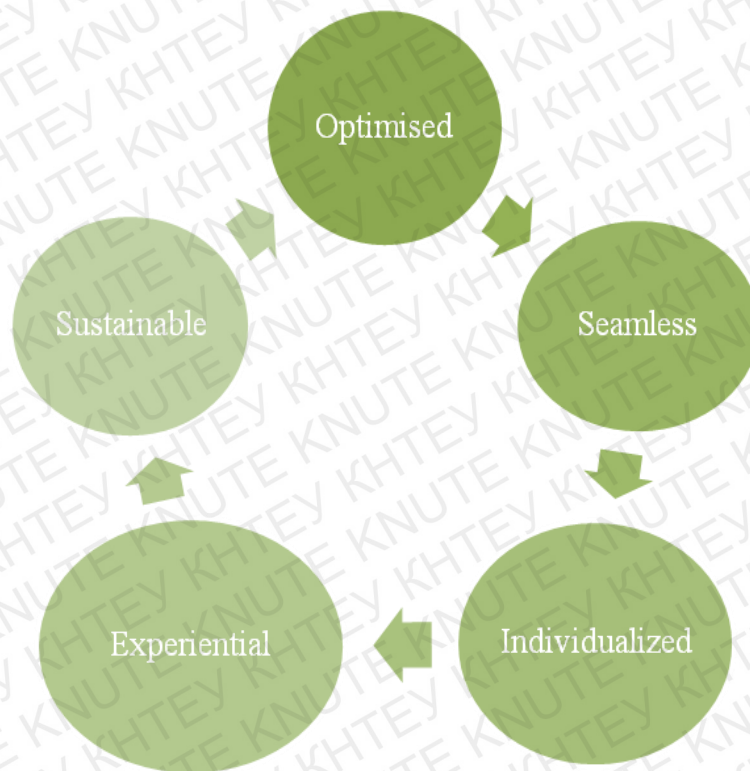


Figure 3.1 Expectations of experience for guest of the future

The hospitality industry is on the cusp of a new chapter. Guests are seeking richer individual relationships and seamless experiences with their hospitality providers, and they are willing to share more data and insights than ever before. It is a pivotal moment for the industry to organize itself appropriately to be able to take advantage of the myriad of possibilities that lie ahead [16].

Technology will play an integral role in delivering the hospitality organization of the future. It will be the foundation and framework upon which new experiences are built, supporting service providers by illuminating key details and insights about guests' goals, desires, and expectations. Operating systems will speak to one another across platforms and integrate to transparently provide the necessary insight for staff to make the decisions that are in the best interest of the guest. This will yield unprecedented personalization and customization, give front line staff the tools to deliver a truly bespoke experience, and help hotels improve operational efficiency and drive incremental revenue [16].

Hotel brands, operators, and independents all need to examine the ways in

which their amenities, experiences, and physical attributes are designed, marketed, and offered to guests. Advances in hotel system capabilities will create the stay of the future, allowing for attribute-based trip building. Guests will dictate what is important to them, and new functionality, such as flexible check-in/out times at point of individual room booking (with non-generic features), will put control back in the hands of the guest to create the experience that best suits their needs [16].

Guests will have the opportunity to curate and tailor their experiences based on the context of an individual trip or experience. They will move seamlessly between digital and human-centered interactions to gather information or make requests. Emphasis will move away from transactional interactions with staff, and toward rich, valuable exchanges where staff members guide guests toward exclusive experiences or authentic recommendations. AI integrations will ensure that the options now available to consumers are highly curated so that guests see only those that are relevant to their needs, and are guided, rather than overwhelmed, by the choices available [16].

The market demand is there. Guests want intentional experiences, the opportunity to select and design stays around their personal needs, and to share information with service providers that they trust in order to foster authentic relationships and real connections. The only question remaining is not where the industry is headed, but who will emerge as the leaders in this new landscape [16].

The number of international travelers is expected to almost double by 2036, and as this number grows, so too do the demands on the hospitality industry. This is a period of unprecedented change, where advances in cloud and analytical technology meet guests who both create and share more data, and place higher demands on their hospitality experience. The outcome? A new challenge is born. The industry must accommodate growth, but crucially it must also leverage a unique opportunity to futureproof operations. Integrated technology across the hospitality ecosystem will underpin the solutions and innovative applications of tomorrow [16].

To drive revenue of Holiday Inn, need to attract as many customers as possible. It is one of the main tasks of hotel distribution. Holiday Inn Kiev need to stand out from the competitors and be visible everywhere travelers are searching for accommodation.

Holiday Inn Kiev must recognize the growing market of booking channels. Online Travel Agencies continue to dominate online sales. At the same time, the distribution space is getting even more crowded with metasearch entrants like TripAdvisor and Google. Even still, hotels have to prioritize direct bookings through their website, while also being aware of offline channels such as phone and walk-in, and of course, the still-relevant GDS network. A large and constant online presence is paramount, as is understanding true distribution costs [21].

Maximizing of direct distribution strategy in Holiday Inn Kiev can change the volume of sales and revenue also. Perfect condition for this improvement is promoting Holiday Inn Kiev online with social media. By utilizing social media sites such as Facebook, Instagram it will be easier to develop long-lasting relationships with potential guests and boost both Holiday Inn brand awareness and loyalty.

Direct bookings are an important consideration for any hotel looking to lower the costs they pay on commissions – and booking engines are crucial in this regard [21]. That's why it will be appropriately to fight against increasing dependencies on Intermediaries.

It is very important to optimize channel manager to be mobile-compatible. Main part of Holiday Inn's customers use iPhones, Androids and tablets to make online bookings, particularly when on-the-go

Holiday Inn need to introduce channel mix report to analyze effectiveness each of them and to create perfect distribution channel mix to satisfy expectation from results.

Channel mix data is so important for improvement of Holiday Inn Distribution system:

- Having market data means you aren't flying blind when creating strategies;

- Forecasting and pricing can be based on much more informed decision making;
- Identify factors that are having an impact on channel traffic and revenue.

For example, a marketing campaign may see an influx of bookings to a particular channel. Building a successful distribution strategy means finding the right balance between all the channels you use, and how track, record, share, and update data. [21]

Considering the pandemic situation, it will be appropriately to create complex of hotel services for the economy class as one of the inbound traveler's segment. . This segment cannot be underestimated as this forms a major component of the population especially when the emerging economies are turning to be priority markets for the Hospitality Industry.

The Group has to deploy efficient systems to protect guest and employee financial and personal data such incidents would deteriorate the brand value [15], because of poor information security systems.

3.2. Ways to prepare Holiday Inn Kiev for the Rebound in Travel Demand (Covid -19 Recovery Strategy)

Crisis Management is a critical component of any successful digital strategy. During times of crisis, hotels need to thoughtfully and swiftly develop a prevention plan, communicate to employees and guests, and make critical shifts to revenue management and digital strategies to ensure success. As Coronavirus (COVID-19) continues to impact travel, it's important for hotels to have an action plan in place that addresses both the current state and the future when travel demand picks up again.

Overall, your hotel should consider a three-phase approach [16]:

- WHILE TRAVEL IS ON PAUSE
- INITIAL RISE IN TRAVEL DEMAND
- TRAVEL DEMAND STRENGTHENS

As company begin preparing strategy for COVID-19 recovery, it's important to

consider the right content and marketing as hotels navigate the COVID-19 pandemic and prepare accordingly [16] (*table 3.1*).

Table 3.1

Three-phase approach

WHILE TRAVEL IS ON PAUSE	INITIAL RISE IN TRAVEL DEMAND	TRAVEL DEMAND STRENGTHENS
<p>Strengthen Brand Relationship</p> <p>While people are not traveling and many hotels are closed, hotels should stay connected with past and future guests through social, email, and editorial content that entertains and adds value.</p>	<p>Ramp Up Marketing and Reach</p> <p>Ramp up marketing efforts with affordable CPCs and reach people beginning to daydream about rebooking and planning vacations.</p> <p>Ensure a flexible cancellation policy</p>	<p>Increase Marketing Efforts</p> <p>Continue marketing efforts focusing on intent as well as targeting the right demographics and feeder markets with the right messaging and packages.</p>

Continue marketing efforts focusing on intent as well as targeting the right demographics and feeder markets with the right messaging and packages [16].

Due to the spread of COVID-19, many countries have implemented travel restrictions further impacting global travel demand. According to Sojern travel data through April 5, 2020, there have been significant decreases in year over year flight searches correlating to the outbreak within each region. Around March 8, 2020, China lifted some of its travel restrictions which resulted in an increase in China flight searches around that time [16].

Similarly, global hotel bookings have been heavily impacted as a result of COVID-19. As of March 22, 2020, year over year hotel bookings were down by at

least 75% across all regions. In general, the drop-in hotel bookings have correlated with the drop-in flight searches across all regions [16].

HOTEL INDUSTRY OUTLOOK

According to a special forecast from STR and Tourism Economics, due to the COVID-19 outbreak, the hotel industry is projected to report significant declines across demand, occupancy, ADR, and revenue per available room (RevPAR) in 2020. While travel has come to a virtual standstill due to the COVID-19 outbreak, the market is expected to regain its footing in the latter part of the year and next year [16].

Based on research from CBRE, from the start of the US outbreak in January 2020, it is predicted that it will take approximately 6-10 months (June) for US hotel demand to recover, and 12-16 months (December) for ADR and RevPAR to recover. Therefore, hoteliers need to take the necessary steps to adequately prepare for recovery, while also setting proper expectations and KPIs [16].

Based on ADARA travel intent data, there will be a 50% decline in year over year searches for US travel (domestic and international). Towards the end of Summer, from July through August, there will be a slight increase in travel demand. However, searches will still be down by 30% or more year over year. While travel demand is low, hotels need to focus on building brand awareness and engaging loyalty members/past guests in order to drive demand [16].

TRAVEL CONSUMER SENTIMENT

According to a survey of North American leisure travelers conducted by Fuel Travel, 45% of travelers have cancelled a trip, and 11% of travelers have rescheduled a trip due to the Coronavirus outbreak. However, 59% of travelers still plan to take a vacation in 2020, and 14% of travelers are planning to take a vacation in 2021 [16].

While many consumers have cancelled their trips, they have not lost their desire to travel. Hotels have an opportunity to capture future bookings by engaging guests that have cancelled. After COVID-19 subsides, people may also consider new destinations—opening the door for hotels to attract new audiences [16].

COVID-19 RECOVERY STRATEGY

- ✚ Align your marketing strategy with revenue management on rate, offers, book direct perks, and flexible cancellations, as your revenue strategy will heavily influence your marketing strategy [16].
- ✚ Implement a flexible cancellation policy. This is crucial to providing consumers with the confidence to book as travel demand slowly ramps up [16].
- ✚ Hone in on the right audience and customer personas throughout your recovery strategy. This is important to ensure that you are reaching the most qualified audience with relevant messaging [16].
- ✚ Market to guests and groups that have cancelled with incentives to rebook (e.g. special offer, complimentary add-on), as they are most likely to book again [16].
- ✚ Focus on the right offers and the right messaging throughout all phases of recovery. Offers should be relevant to the target persona's booking behaviors (e.g. advanced booking, staycations), while messaging should be sensitive and relevant at all times [16]

Conclusion to Part 3

As travelers become savvier and demanding, and more intermediaries such as online travel agents (OTAs) enter the field, your hotel must fight a more complex challenge to achieve the right mix of direct and third-party bookings [21].

A hotel distribution channel can be any method or platform by which your hotel sells its rooms. Examples include online travel agents, booking engines (website + social media), phone/email/walk-ins, metasearch, global distribution system [21].

Building a successful distribution strategy means finding the right balance between all the channels you use, and how track, record, share, and update data.

One of the first distribution lessons is that your strategy needs to consider travelers from all areas of the globe – from those in your own neighborhoods to those in the far-reaching corners of the world [21].

Distribution can be greatly aided by the right technology systems. The most successful properties have at least one thing in common: they all use sophisticated hotel technology and software [21].

A lot of hoteliers may operate on the assumption that the benefits of a direct booking strategy will far outweigh distributing largely through third parties such as online travel agents (OTAs). There can be repercussions of an all-out direct strategy however [21].

Promoting your business in a variety of ways is key to maximizing distribution and sales at your hotel [21].

Fully optimizing your hotel and achieving the ideal channel mix revolves around maximizing the profitability of your business. If your profit is stagnant or even decreasing, it might be time to adjust your strategies [21].

CONCLUSIONS

For Holiday Inn Hotel Chain, a key part of any revenue management strategy revolves around distribution channel management.

To maintain or increase profitability of Holiday Inn Kiev hotel, IHG will need to find ways to reduce costs, increase market share, and implement a smart distribution strategy that reflects today's market conditions.

Hotel chains are expanding at a faster rate than the overall industry and independent operators are increasingly under pressure to affiliate their properties to major brands. Meanwhile, 'rogue' OTAs, that have no contractual relationship with hotels, are undercutting direct rates as they unload wholesale inventory into the retail marketplace. The value of so-called social media 'influencers' is questionable for hotels. Facebook can offer a hotel well-targeted advertising coverage. Loyalty programs are evolving towards offering more immediate rewards. Airbnb has upped the ante as a valid distribution platform for hotels – which may put pressure on the big OTAs down the road [20].

OTAs are an important source of indirect bookings, and few hotels can afford to work without them. However, not all OTA relationships are equal in value. Hotels must carefully manage inventory, positioning, rates and commission on each OTA channel to ensure that the relationship is serving their needs [22].

During the analysis, we estimated that direct bookings have a top priority for the hotel chain. We defined the following strategies for increasing direct bookings (direct distribution of hotel services) for the inbound tourism segment as well:

- Set direct-booking objectives.
- It is important to be ensure of well-educated staff at the front-desk of objectives and understanding them about direct reservations value. Top management can to create a special education program for it.
- Appropriate to display advertising on search engines to drive qualified traffic to Holiday Inn Kiev corporate website. A good web site drive customer for direct bookings.

- Hotel chain need also develop and optimize website to satisfy user friendly, mobile friendly and search engine friendly factors. It is important to be insure, that hotel chain never lose an opportunity to attract new potential customers for direct reservations, without intermediaries.
- Appropriate to use SEO and content marketing to help inbound tourism segment of customers plan their trip better as possible.
- Holiday Inn Kiev Hotel Chain need to offer lower rates and incentives for application direct distribution of hotel services through private distribution channels (Instagram, Facebook, other social media and CRM database).
- Holiday Inn Kiev Hotel Chain can offer a best-rate guarantee of hotel services. It is actually nowadays, to give the customers an opportunity of comparing rates and perks and induce customers for direct reservation.
- According to Pablo Delgado, CEO of Mirai, it's virtually impossible for hotels to compete against OTAs in terms of investment, technology, visibility and brand awareness, so the best strategy is to manage inventory appropriately. "Hotels must understand that there is only one thing they have that distributors don't: the rooms," he writes. "They must decide where and at what price they are going to sell rooms on each of the channels, burying the mantra of 'inventory and rate parity' once and for all" (Mirai, 2017) [22].
- Holiday Inn hotel chain need to create conditions that induce inbound segment of customers to have a great reason to come back in the Holiday Inn Kiev again and to interact directly.
- Appropriate for Holiday Inn Hotel Chain to determine where are the greatest profits. After that, it will be expedient to allocate more resources to that channel.

All of these directions can considerably influence on the improvement of Holiday Inn Kiev hotel's distribution system and also it can settle levels of hotel chain's revenue.

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DISTRIBUTION CHANNELS OF HOTEL SERVICES

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The article considers the essence of the concept of «distribution». Five effective distribution channels to keep hotel alive & competitive are recognized. Creating a hotel distribution recovery strategy after the coronavirus crisis is given.

Keywords: distribution, distribution channels, distribution model, hotel services, hotel industry, recovery strategy, competitiveness, Online Travel Agencies (OTAs).

У статті розглянуто сутність поняття «дистрибуція». Визначено п'ять найефективніших каналів дистрибуції з метою підтримки конкурентоспроможності готельних підприємств. Запропоновано стратегію відновлення готельної дистрибуції після коронавірусної кризи.

Ключові слова: дистрибуція, канали розподілу(збуту), модель збуту, готельні послуги, індустрія готельних послуг, стратегія відновлення, конкурентоспроможність, туристичні онлайн-агенства.

The actuality of the article. The hotel industry has evolved from providing familiar service and feelings wherever travelers go to providing a unique experience. More boutique hotels are investing in their own branding, offering a «unique experience», and also encouraging people to book directly with them. The majority of travelers, more price conscious than brand conscious, however still search for quote/inventory and book through a search service like TripAdvisor, Trivago or Booking.com, which is why OTAs continue to dominate the booking phase. The questions then for hoteliers are how do hotels appear higher on the search results of these OTAs? What is the best strategy for distributing booking inventories between direct channels and OTAs? How about pricing? What kind of technology will get us maximum exposure and eye-balls at the price level offered? Is this technology affordable? How do we access and implement it? What about ongoing maintenance? Hotels around the world are bearing the brunt of the coronavirus crisis. It's crucial for hotels at this time to take the right steps to manage the fast-evolving crisis and grow even during such adverse times.

Setting objectives. Distribution means to spread the product throughout the marketplace such that a large number of people can buy it. Distribution can make or break a hotel chain. A good distribution system quite simply means the hotel business has greater chance of selling its services more than its competitors. The company that spreads its services wider and faster into the market place at lower costs than its competitors will make greater margins absorb raw material price rise better and last longer in tough market conditions. Distribution is critical for hospitality type of

industry or service. The best price product, promotion and people come to nothing if the product or service is not available for sale at the points at which consumers can buy. Whether you're a company trying to improve SEO, or a Youtuber/content distributor on the Internet wishing to crack its also code to achieve higher exposure, or a hoteliers looking to obtain and sustain more retail bookings on OTA platforms, the underlying digital playbook rules remain the same.

Vital to a hotel's survival and ability to compete digitally are these five hotel distribution pillars: Branding on Social Media, Home Website, User Experience for Better Conversion Rate, Metasearch ads, and Channel Manager (table 1). The first 2 fall under branding management and the last 3 are all about managing your hotels' sales performance on distribution platforms.

Table 1
Characteristics of distribution networks

Hotel distribution channel	Explication
Branding on Social Media	Even on a crowded OTA platform, your branding presence will help you stand out. So, work to increase your brand recognition. Here, the creativity world is your oyster and social media your friends: hashtag campaign on Instagram with Insta worthy backdrop; create partnerships with other brands to provide space for experiences: yoga parties, activities and so on; build a distinguishable identity and engage with your audience
Home Website	Pleasing visuals with a clean, soothing aesthetics provide guests with a relaxing experience even before their trips and thus encourage guests to book. Enhance your tag line slogan or value proposition with high quality images. Show nearby points of interest – beaches, landmarks, forests, beautiful people relaxing – and make it easy to view prices, room availability, special packages and booking options
User Experience for Better Conversion Rate	Having a great website is fantastic but if people have trouble booking rooms or navigating around the site then you will lose bookings and business. It's as simple as that. So, run a usability test. A usability test involves engaging real, live test subjects to carry out specific tasks on your website and then evaluating the process from their perspective. You can test whether your website provides enough information to drive the decision to book, and how easily visitors find certain information on your website or complete a task such as making a booking. Know how well your website is converting browsers into bookers. Put yourself in the customer's shoes, understand how your customers engage, identify all the traction points from the start of a visit or the end of a booking and eliminate those
Metasearch engines	Metasearch engines play a crucial role in the guest booking journey today and hotels should take a specific stance on their advertising. A high-quality hotel metasearch platform will continually assess the specific hotel-related needs of both travelers and hoteliers and offer a unique and intuitive experience to both parties. The right property management system (PMS) or central reservation system (CRS) will allow you to connect with the biggest players in the metasearch field and help monitor the key performance metrics of your channels. Know your metrics like the back of your hand, along with which channels are performing well and which are costing you money
Channel Manager	Hotel distribution is a complex ecosystems within travel, much of which can be attributed to the industry's fragmented ownership and management structure. To bring real efficiency to your hotel's sales process and to ensure your sales reach their highest potential, you will need a channel manager integrated CRS system – a single system that keeps track of all your room inventory & rates, and updates every sales channel on its own

Digital is no longer an experimental new channel for hotels – it's widely renowned as a scalable, measurable way to fuel growth via lead generation and conversions all the way down the funnel. A hotel distribution strategy is key to more hotel reservations. An effective distribution strategy controls when and through which channels the rooms will be sold, while lowering the acquisition costs for each channel. This is what makes it one of the most crucial parts of running a profitable hotel business. It can be divided broadly into two categories: Direct distribution and third-party distribution.

Direct hotel online distribution requires various hotel distribution solutions, like a website, an Internet Booking Engine (IBE), and a channel manager. By investing in these solutions, you can sell your room inventory directly without paying any external commission fees. You need an optimized website² where travelers can book rooms directly with you online. It needs to have in-depth information about the hotel, along with the latest, high-quality images. An IBE³ will enable your hotel to accept direct bookings online through your official website. It'll also ensure a simple, seamless, and secure booking experience for your travelers. A channel manager helps you distribute your room inventory and rates amongst OTAs and direct channels. Cloud-based technology can be your best bet these days, as it lets you control your room inventory and rates from wherever you are.

Third-party distribution refers to selling room inventory through OTAs, wholesalers, and other tour operators. Working with multiple third-party distribution agencies can help you increase your hotel's online exposure and overall occupancy. An online travel agency, or an OTA⁴, is a third-party booking site that offers travel-related products, as well as displays guest ratings and reviews. It sells hotel rooms alongside flights, car rentals, tours, etc. and takes a commission for each booking. Thus, OTAs, like Booking and Expedia, operate similarly to traditional travel agents. A wholesaler or a merchant is a middleman between a travel supplier (hotel) and an OTA or a travel agent. It sources the hotel room nights in bulk, packages them, negotiates rates, and then sells them to OTAs and travel agents. To outspread your distribution portfolio, it's essential to build partnerships and sell rooms via various tour operators. With tour operators, you can also bundle your room rates and additional offerings into attractive packages for your guests.

Company can create an effective hotel distribution recovery strategy in 3 easy steps (fig. 1), to capture post-crisis demand in the hotel industry:

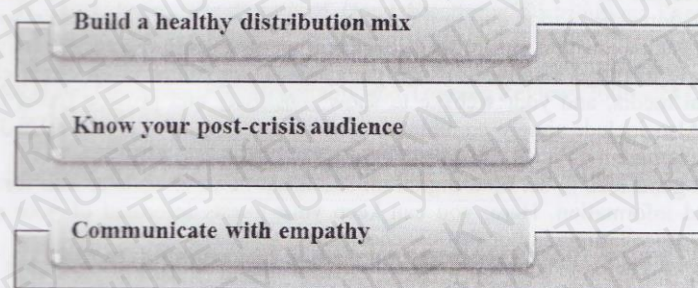


Fig. 1. «3 steps of hotel distribution recovery strategy»

It's always been important for hotels to diversify their sales channels simply because inventory distribution is the key to more hotel reservations. But the current crisis calls for building the right distribution mix that would allow hotels to increase their bottom line. The more the hotels diversify their channels, the less they will be affected in crises times. This means that hotels that rely on only one channel find it much more challenging to bounce back than the ones that have a healthy distribution mix, including direct solutions like metasearch and website as well as indirect solutions like Online Travel Agencies (OTAs).

In the hotel industry, the more direct business, the better; even more so during a crisis when it's crucial for you as a brand to directly communicate and foster relationship with travelers. Additionally, the OTA sector has become all the more complex and costly than before. We've seen how during the crisis, major OTAs have forced hotels to refund travelers for non-refundable rates instead of offering booking modifications, thereby confusing guests and causing additional stress for hoteliers and staff in what is already a difficult time. Thus, the ideal distribution mix during a crisis would include focusing more on driving direct bookings, while ensuring smart distribution across multiple OTAs to reduce dependency.

Independent Lodging Properties and Online Marketplace study, while talking about how properties are reinforcing efforts to grow direct bookings through digital innovations, identifies metasearch, a well-designed website, and an efficient booking engine as effective distribution channels.

Know your post-crisis audience

As a hotelier, you might already have a clear idea of who your target audience is. But trends might change during the post-crisis time. Let's take the example of Mainland China, where the hotel industry has already started showing early signs of recovery. STR, in its report on hotel occupancy in the post-crisis Mainland China, concludes that most of the 31.8% hotel occupancy in late March stems from corporate travel, primarily within the same province, as well as small-scale meetings. Overall, there's limited leisure market in city centers but a bit more recovery in that segment in surrounding suburbs. The report can be used as an indication of what type of travelers you're going to receive in the near future. This is the time to start developing your hotel distribution strategy for those kinds of travelers. For example, if your hotel is located in the city center, you can promote your business solutions, like conference hall, meeting rooms, and private rooms to the corporate sector. On the other hand, if you're located in the suburbs, you can promote staycations to leisure travelers.

In short, it's essential to rely on the local market to replace lost business.

Communicate with empathy

Marketing and distribution go hand in hand because making yourself efficiently visible on every sales channel is crucial to winning maximum bookings. Marketing your rooms and services relevantly and compassionately is very important during this time as people are afraid of making hotel reservations. So, how do you communicate with your audiences during the crisis?

As indicated above, you might have to reallocate your marketing and distribution budget to focus more on the domestic market during the post-crisis period. Thus, it's essential to review your digital marketing campaigns and ensure that your local markets are targeted. Assure your hesitant guests that it's safe to travel locally. Soft sell your local hotel solutions on direct channels, like metasearch, social media, and your website to show sensitivity and provide travel inspiration to your followers. Also include timely communications of safety guidance and related actions that adhere to local government policies.

It's also a good idea to set up a digital on-site latest news or updates hub for all the latest hotel policies and information. Here, you can keep your guests informed of your new booking policies, like free cancellations and/or flexible check-ins.

Conclusions. The distribution channels that hotels use and invest in can have a significant bearing on their revenue management strategy, and on their overall success. These days many hotels receive more bookings from the internet than from offline travel agents. Meanwhile, more recent advances in smartphone technology have made online distribution channels more important than ever before, as consumers now expect to be able to book a hotel room easily, from anywhere in the world, at the touch of a few buttons.

Branding on Social Media, Home Website, User Experience for Better Conversion Rate, Metasearch ads, and Channel Manager are effective distribution channels to keep hotel alive and competitive. Rebound after Coronavirus Crisis includes moving beyond crisis response to recovery and post-recovery planning. You should consider the following things (*fig. 2*) when developing a distribution plan for your hotel:

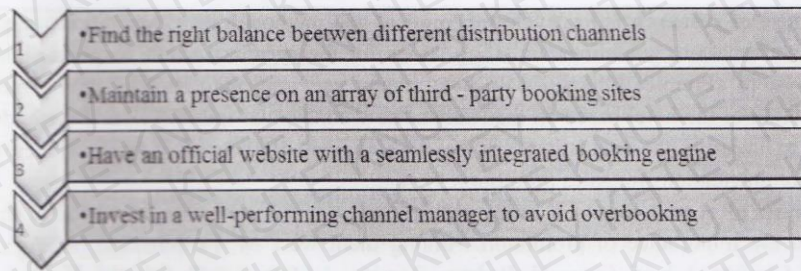


Fig. 2. «Post-recovery planning»

The study has important industry implications. When new challenges are presented to an industry, it is useful for the different stakeholders to come together to describe, define, and discuss the issues. This helps for those tasked with the responsibility of managing the challenges and solutions. With the advancement of new information technology and marketing applications, innovative approaches may emerge in the future. What is seen as an issue today may not be a concern for tomorrow. The present study calls for continued efforts in this stream of research. Future research should also examine the importance of distribution channels from the consumer's perspective.

While managing hotel distribution channels is purely a business operation, consumer's opinions must be valued because the choice of a distribution channel should reflect the needs and wants of hotel guests.

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CORPORATE HOTEL SALES PROMOTION SYSTEM

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This article shows the impact of sales promotion on the decision-making process by the buyer in the hotel industry.

Key words: hotel, service sector, marketing, travel, holiday, promotion mix sales promotion.

У цій статті показано вплив стимулювання збуту на процес прийняття рішень покупцем у готельному господарстві

Ключові слова: готель, сфера послуг, маркетинг, подорожі, відпочинок, просування суміші стимулювання збуту.